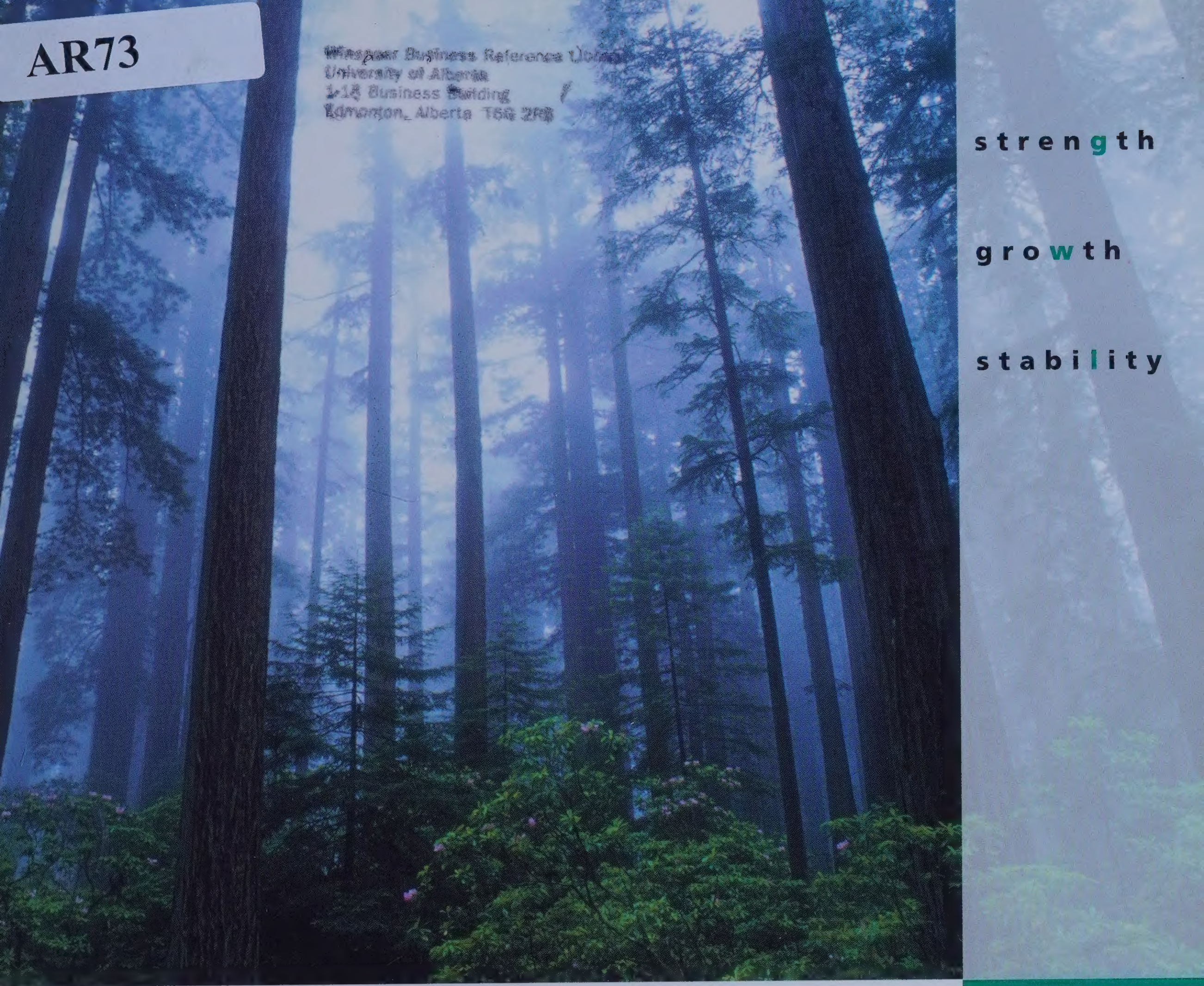

strength

growth

stability

GREAT-WEST LIFE | ANNUAL REPORT 2002

THE Great-West Life ASSURANCE COMPANY

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FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are inherently subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic and political conditions in Canada, North America or internationally.

Readers are urged to consider these and other such factors carefully and not place undue emphasis on the Company's forward-looking statements.

Unless otherwise required by securities laws, the Company does not intend or have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Profile

The Great-West Life Assurance Company is a leading insurer in Canada, offering a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. In addition to its domestic operations, the Company is a supplier of reinsurance, primarily in Canada and the United States.

Great-West and its subsidiary, London Life Insurance Company, serve the financial security needs of nine million Canadians through a network of Great-West and Freedom 55 Financial™ security advisors, through brokers and marketing agreements with other financial institutions.

Great-West and London Life have been serving the financial security needs of Canadians for more than a century. Together, they form one of Canada's leading life and health insurers. Great-West has $54 billion in assets under administration.

Great-West and London Life are members of the Power Financial Corporation group of companies.

Financial Highlights *(in millions of dollars except per common share amounts)*

For the years ended December 31	2002	2001	% Change
Premiums:			
Life insurance, guaranteed annuities and insured health products	$ 4,276	$ 3,996	7%
Reinsurance and specialty general insurance	3,922	3,455	14%
Self-funded premium equivalents (ASO contracts) (1)	1,355	1,238	9%
Segregated funds deposits: (1)			
Individual products	1,649	1,586	4%
Group products	1,163	1,045	11%
Total premiums and deposits	12,365	11,320	9%
Fee and other income	420	391	7%
Paid or credited to policyholders	8,978	8,308	8%
Summary of net income attributable to:			
Participating policyholder			
Net income before policyholder dividends	608	602	1%
Policyholder dividends	608	584	4%
Net income – participating policyholder	–	18	
2001 adjustments (2)			
September 11, 2001	–	9	
Adjusted net income participating policyholder (2)	–	27	
Shareholder			
Preferred shareholder	14	25	-44%
Net income – common shareholder	461	258	79%
2001 adjustments (2)			
Goodwill amortization	–	61	
September 11, 2001	–	73	
Adjusted net income common shareholder (2)	461	392	18%

Per Common Share			
Net earnings	$ 376.97	$ 214.90	75%
2001 adjustments (2)			
Goodwill amortization	–	51.04	
September 11, 2001	–	61.17	
Adjusted net earnings (2)	376.97	327.11	15%
Dividends paid			
– regular	248.14	168.40	47%
– special	30.71	–	
Book value	1,659.00	1,527.00	9%

Return on common shareholder equity			
Net earnings	24.0%	14.9%	
Adjusted net earnings (2)	–	21.5%	

At December 31			
Total assets	$ 36,054	$ 34,671	4%
Segregated funds assets (1)	18,504	19,093	-3%
Total assets under administration	$ 54,558	$ 53,764	1%
Participating policyholder equity	$ 1,246	$ 1,246	–%
Shareholder equity	2,262	2,147	5%
Total policyholder and shareholder equity	$ 3,508	$ 3,393	3%

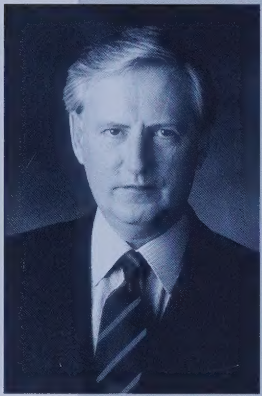
(1) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*
The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.
Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(2) *2001 results include:*
(i) a charge of $61 after-tax in the shareholder account or $51.04 per common share related to the amortization of goodwill. On January 1, 2002, the Company stopped amortizing goodwill in accordance with new Canadian Institute of Chartered Accountants standard 3062 Goodwill and Other Intangible Assets (see note 1 of the Company's financial statements).
(ii) a charge of $73 after-tax in the shareholder account and $9 after-tax in the participating policyholder account from the events of September 11, 2001.
Return on common shareholder equity is also presented excluding 2001 adjustments.

Strength

Growth

Stability



Robert Gratton
Chairman of the Board

Raymond L. McFeetors
President and Chief Executive Officer

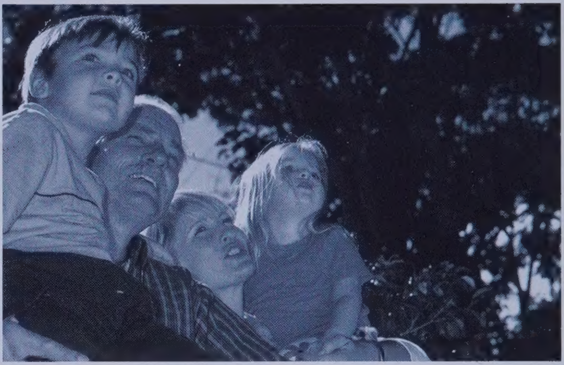
Great-West's continued strong performance is based on a simple but effective formula for success – balancing stability with growth.

Our distribution power, innovative product and service diversity, and financial strength have enabled us to continue to deliver positive results for clients in the challenging operating environment of 2002. Together with our subsidiary London Life Insurance Company, we outperformed the industry in many areas and experienced strong growth in several key markets.

Great-West's earnings increase of 15% over 2001 reflected solid performance in our main lines of business. This growth reflects significant gains in premiums and deposits and fee income while assets remained essentially flat at $54.5 billion. Our fee income increased 7% and overall premiums and deposits 9% compared to 2001, with growth occurring in all lines of business. Most notably, deposits for both individual and group segregated funds increased, despite an environment of eroding consumer confidence in the market.

Our individual segregated funds business outperformed the market in terms of growth and relatively low redemptions in 2002. Persistency – a measure of client confidence in the Company's products and services – was notably strong in group insurance and in both individual and group segregated funds. Sales of participating life insurance increased significantly over 2001 and outpaced the industry – as clients turned to Great-West in their quest for greater financial protection for themselves and their families.

Strength



Great-West outperformed the market in sales of retail investment funds and participating life insurance in 2002 – a reflection of the trust clients place in the Company's financial security advisors.

Competitive advantage

The strong distribution systems of Great-West and Freedom 55 Financial continue to offer a competitive advantage. With 17,000 financial security advisors, brokers and consultants, and representatives of intercorporate partners distributing Great-West or London Life branded individual and group products and services, we have significant reach in the Canadian marketplace. We believe the expertise and value these representatives offer to clients is a major factor behind our success.

We also work to provide our advisors with strong sales support through our unique product and marketing support network, *The Resource Centre*™, and our award-winning tools designed to help financial security advisors provide quality information and customer service to our clients.

Through a nationwide network of offices, *The Resource Centre* offers financial security advisors a comprehensive portfolio of financial security planning products and an unparalleled range of support services – from advice on how to present a concept to a client, to product information and access to tax and estate planning expertise, investment experts and residential mortgage specialists.

Competitive alliances

In November 2002, Great-West and London Life, together with Investors Group Inc., added a new competitive alliance, signing an agreement with National Bank of Canada to distribute banking products and services.

The agreement will allow financial security advisors to offer their clients access to a broad range of banking products and services from an experienced private-label banking supplier.

Competitive costs

We continue to look for efficiencies that reduce expenses and enhance our competitive unit costs. Our financial strength is reflected in a very strong Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 223%. As well, Great-West and London Life continue to receive superior ratings from the major rating agencies.

Stability

Selectpac, Great-West's industry leading group benefits product for small employers, accounts for one out of every three sales in the Canadian small case market.

Group benefits

In 2002, Great-West reinforced our position as a premier provider of employee benefits solutions in Canada.

In a year when industry sales generally declined, our group sales increased 5%. Our sales in the small and mid-size case markets were particularly strong, accounting for more than 30% of total industry sales in these market segments. In the large case market, sales of insured cases also showed strong growth, although sales of new administrative services only (ASO) cases declined, reflecting market conditions. That performance, coupled with a record client persistency level of 96%, resulted in strong overall growth for our group insurance business.

Already a leader in terms of low unit costs, we also help clients control both their plan administration costs and their claim costs. Employers have been taking advantage of the online administration power of Great-West's industry-leading *GroupNet™* since 1996, when the Company became the first insurer in Canada to offer Internet-based benefits services for plan sponsors.

In mid-2003, we will introduce *GroupNet: online services for plan members.* These services will include the ability for plan members to, in real time, look up detailed information on plan coverage and claims, print personalized claim forms, and access a broad range of health and wellness information. Not only will this offer enhanced service for plan members, it will help reduce the administrative load on plan sponsors.

We also help clients control claim costs through a broad range of plan designs. In 2003, Great-West plans to introduce an ASO plan designed for the mid-size case market. ASO plans offer employers another option to control their benefit plan costs.

We will also introduce a wide array of new cost containment prescription drug plans, including tiered formularies, frozen formularies and dispense fee, and plan maximums. These plans will allow an employer to tailor drug coverage to their circumstances, helping them address the rapidly increasing cost of drug plans.

In the group disability market, we have a history of helping plan sponsors manage claims and of supporting disabled employees in their recovery and return to work. In 2002, we introduced the services of disability management consultants, who assist plan sponsors in the design and implementation of absence management, workplace safety and claim management programs.

Our claims process places the emphasis on managing disability claims, rather than simply adjudicating and paying claims. Disability case managers co-ordinate the efforts of medical co-ordinators, vocational rehabilitation consultants, the employer and external specialists. Their goal is to help ensure that, at an early date, the disabled employees receive effective medical care and become involved, when appropriate, in return-to-work programs. State-of-the-art disability tracking systems and reporting tools ensure these activities are well-co-ordinated, while protecting the privacy of individual claimants.

In 2003, we are expanding our spectrum of disability-related programs and services to address non-medical issues affecting employee absence. *Exchange™* is a new communications-based approach that helps to identify and resolve non-medical issues in the early stages of an employee absence. Through facilitated meetings between the employee and supervisor, this program can help identify and remove potential barriers in the workplace, and help the employee safely return to work.

With the addition of *Exchange,* Great-West offers a broad spectrum of disability-related programs and services, from traditional claims adjudication services to case management, early intervention and employee assistance programs.

Individual insurance

Great-West's individual life insurance performance significantly outpaced the industry in 2002. Although life insurance sales in Canada were down 2% across the industry†, our individual life insurance sales, including those of London Life, measured by annualized premium, increased by 11% to $108 million in 2002, while revenue premium exceeded $1.6 billion.

This success reflects our strong portfolio of traditional term insurance and, in particular, our participating life insurance products, where sales increased 28% over 2001. Sales were particularly strong in the wealth management market, where the strength of our participating insurance portfolio with its long-term track record, low volatility participating account, and cost-effective life insurance protection, offers an excellent solution to consumers' desire for security. Together with London Life, we continue to be a leading participating life insurance provider, accounting for more than 40% of Canadian sales.

In 2002, we celebrated a milestone anniversary – 60 years since we became the first Canadian company to develop and sell its own individual disability insurance product. Today we continue to be a leading source of disability insurance in Canada. Sales of disability insurance increased modestly, with approximately 70% of new sales continuing to come from the self-employed market.

Besides traditional forms of insurance, we are emerging as a market leader in new areas. In the three years since its introduction, our *Oasis™* critical illness product has been recognized as one of the most flexible, competitive and affordable forms of critical illness insurance available. *Oasis* sales are a strong factor behind the 9% increase in sales in the Living Benefits line.

Wealth accumulation and management

Great-West, together with London Life, is a leading provider of investment funds in Canada. Both mutual fund and segregated fund assets under management were relatively stable, despite difficult markets and investor anxiety.

In 2002, Great-West experienced a redemption rate of 9.9% in segregated funds and Canadian long-term mutual funds, which compares favourably with 13.9% in the Canadian mutual fund industry. We increased our market share of individual segregated funds assets this year by 2% to 25.8%, remaining the leader in Canada. While others in the industry experienced declines, we're experiencing growth – according to 2002 mutual fund asset statistics published by the Investment Funds Institute of Canada (IFIC), total Canadian mutual fund assets decreased by 8%, while our individual retail segregated funds grew during the same period.

We believe the strength of our distribution relationships is a key factor in this growth. Great-West and Freedom 55 Financial security advisors help clients build a portfolio to meet long-term needs and avoid "favourite fund" picking. As a result, in 2002 almost $1 of every $5 of net sales in the investment fund industry went to Great-West or London Life segregated or mutual funds. For individual segregated funds, Great-West recorded a 68% share of new sales.

Mutual fund dealer one of the largest in Canada

Quadrus Investment Services Ltd. is one of largest mutual fund dealers in Canada in terms of distribution, with more than 3,000 investment representatives. In addition to offering 40 exclusive mutual funds through *Quadrus Group of Funds™*, Quadrus administers assets in more than 2,000 other brand name funds.

Through its accommodation service, Quadrus offers clients the opportunity to consolidate all their mutual funds into a single investment plan. This makes it easier for clients to track their progress towards achieving their financial goals and simplifies tracking foreign content in a registered portfolio.

†*Source: LIMRA*

In 2002, Quadrus earned membership in the recently established MFDA (Mutual Fund Dealers' Association). It also launched an industry-leading tool, *invest@Quadrus*™, which enables investment representatives to quickly purchase, switch and redeem funds online, enabling them to be more proactive and responsive to clients' needs.

In 2002, Quadrus introduced a proprietary premium-class money market fund. Although Quadrus encourages a long-term approach to investing, this new product offers affluent clients a low-risk vehicle to hold assets of $100,000 or more for short periods.

Quadrus continues to assist Great-West investment representatives to transfer their mutual fund registration – and client portfolios – to Quadrus.

Group retirement services

While the Canadian group retirement market experienced a 30% drop in new sales premium* and a 35% reduction in lump-sum transfers between group retirement providers, we increased cash flow and transfers.

A market leader, Great-West Life's Group Retirement Services division gained more than 30% of all new plans in the Canadian group retirement market in 2002. This growth reflects the efforts of the Company's experienced group retirement specialists in 11 cities, the flexibility of our *Envision your retirement* product to meet the needs of even small groups, and the distribution partnership with Investors Group, where sales through Investors Group consultants more than doubled.

During the year, we worked with industry regulators to develop guidelines around best practices for group retirement clients. Our standards ideally position us to help ensure clients' compliance with regulations. The division launched a compliance management system, along with the first in a series of publications addressing clients' fiduciary responsibilities to plan members. A new fund manager report – customized for each client – also sets an industry standard. These tools, which enable plan sponsors to meet compliance and disclosure requirements, give Group Retirement Services a significant competitive advantage.

Current plan members also benefited from the introduction of a proprietary online retirement planning guide illustrating current client information and permitting the member to develop a plan for the future. In addition, a new third-party language service enables plan members to receive assistance via telephone in any of 140 languages.

In 2003, Group Retirement Services plans to work closely with Great-West's Group division to cross-sell group retirement and group insurance services. Group Retirement Services will also promote an asset retention product allowing group plan members to keep their investments with the Company after a plan member leaves the plan.

Investment management and advisory services

Our subsidiaries, GWL Investment Management Ltd. and London Life Investment Management Ltd., provide fund management services for many of our segregated funds, along with other major fund managers. In addition, they provide investment and advisory services for more than 200 institutional clients.

GWL Realty Advisors Inc., one of the largest realty advisors in the country, manages more than $5 billion in real estate assets for over 150 institutional clients. Following five years of solid growth, GWL Realty Advisors plans to continue to expand its assets, particularly in the multi-family, office and industrial sectors.

Reinsurance

Reinsurance markets around the world reacted to the events of September 11, 2001, with higher premium rates, an increased counterparty credit focus, and tighter contract conditions that should hold for the foreseeable future. At the same time, there were new entrants to the market, and several reinsurers exited the business. London Reinsurance Group holds a strong market position in the financial reinsurance market with opportunities for controlled growth over time.

**Source: LIMRA results at September 30, 2002.*

Leading by example

Contributing to the communities where we live and work is a core value of Great-West and London Life. Through our *Key to Giving* program, we provide financial support in the areas of education, health and wellness, arts and culture, social services and community programs. In addition, Great-West encourages volunteerism by staff and financial security advisors. The Company recognizes their community leadership by supporting qualifying initiatives in which they're involved.

Great-West Life continues to be recognized as one of the Top 100 Employers in Canada*. We've also been the recipient of several awards recognizing our contributions to the community.

Detailed information on our community involvement and our approach to corporate social responsibility, is available in our 2002 Public Accountability Statement.

**Canada's Top 100 Employers (The Guide to Canada's Best Places to Work), 2002 Edition*

Growth

Balancing Stability with Growth

We enter 2003 with a renewed commitment to the philosophy that has seen us through another successful year – balancing stability with growth. The standard of excellence demonstrated daily by our people across Canada is an important foundation on which our success and growth is built. On behalf of the Board of Directors, we thank our people for their contributions, and we thank our clients for the opportunity to serve them.

Robert Gratton
Chairman of the Board

Raymond L. McFeetors
President and Chief Executive Officer

Management's Discussion and Analysis

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The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of The Great-West Life Assurance Company (Great-West or the Company) in 2002 compared with 2001. The MD&A provides an overall discussion, followed by analysis of the performance of the Company's major reportable segments.

Forward-looking Statements

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are inherently subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic and political conditions in Canada, North America or internationally.

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Businesses

Through Great-West and its major subsidiary London Life Insurance Company (London Life), a wide range of life and health insurance, and retirement and investment products are sold to individuals, businesses and other private and public organizations in Canada. As well, Great-West offers reinsurance products in specific niche markets in the United States and Europe through its subsidiary, London Reinsurance Group Inc. (LRG).

Translation of United States Dollars

Throughout this report, United States dollar assets and liabilities are translated into Canadian dollars at the market rate at December 31 for the respective years. All income and expense items are translated at an average rate for the year. The rates employed by year are:

Years ended December 31	Balance Sheet	Operations
2002	$ 1.5800	$ 1.5700
2001	1.5930	1.5490
2000	1.5000	1.4853

2002 CONSOLIDATED OPERATING RESULTS

Selected Consolidated Financial Information

(in $ millions, except per common share amounts)

		2002		2001	% Change
For the years ended December 31					
Premiums:					
Life insurance, guaranteed annuities and insured health products	$	4,276	$	3,996	7%
Reinsurance and specialty general insurance		3,922		3,455	14%
Self-funded premium equivalents (ASO contracts) (1)		1,355		1,238	9%
Segregated funds deposits: (1)					
Individual products		1,649		1,586	4%
Group products		1,163		1,045	11%
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Fee and other income		420		391	7%
Paid or credited to policyholders		8,978		8,308	8%
Summary of net income attributable to:					
Participating policyholder					
Net income before policyholder dividends		608		602	1%
Policyholder dividends		608		584	4%
Net income – participating policyholder		–		18	
2001 adjustments (2)					
September 11, 2001		–		9	
Adjusted net income participating policyholder (2)		–		27	
Shareholder					
Preferred shareholder		14		25	-44%
Net income common shareholder		461		258	79%
2001 adjustments (2)					
Goodwill amortization		–		61	
September 11, 2001		–		73	
Adjusted net income common shareholder (2)		461		392	18%
Per Common Share					
Net earnings	$	376.97	$	214.90	75%
2001 adjustments (2)					
Goodwill amortization		–		51.04	
September 11, 2001		–		61.17	
Adjusted net earnings (2)		376.97		327.11	15%
Dividends paid – Regular		248.14		168.40	47%
– Special		30.71		–	
Book value per common share		1,659.00		1,527.00	9%
Return on Common Shareholder Equity					
Net earnings		24.0%		14.9%	
Adjusted net earnings (2)		–		21.5%	
At December 31					
Total assets	$	36,054	$	34,671	4%
Segregated funds assets (1)		18,504		19,093	-3%
Total assets under administration	$	54,558	$	53,764	1%
Participating policyholder equity	$	1,246	$	1,246	–%
Shareholder equity		2,262		2,147	5%
Total policyholder and shareholder equity	$	3,508	$	3,393	3%

(1) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(2) 2001 results include:

(i) a charge of $61 after-tax in the shareholder account or $51.04 per common share related to the amortization of goodwill. On January 1, 2002 the Company stopped amortizing goodwill in accordance with new Canadian Institute of Chartered Accountants standard 3062 Goodwill and Other Intangible Assets (see note 1 of the Company's 2002 financial statements).

(ii) a charge of $73 after-tax in the shareholder account and $9 after-tax in the participating policyholder account from the events of September 11, 2001.

Return on common shareholder equity is also presented excluding 2001 adjustments.

Quarterly Financial Information

(in $ millions, except per common share amounts)

			Net Income				
			Participating Policyholder			Common Shareholder	
		Total Revenue	Net Income Before Policyholder Dividends	Policyholder Dividends	Net (undistributed) Income [1]	Net Income [3]	Earnings per Common Share [3]
2002	Fourth quarter	$ 2,807	$ 165	$ 148	$ 17	$ 121	$ 98.70
	Third quarter	2,920	141	157	(16)	120	98.51
	Second quarter	2,214	150	154	(4)	113	92.21
	First quarter	2,825	152	149	3	107	87.55
2001	Fourth quarter	$ 2,862	$ 172	$ 154	$ 18	$ 88	$ 73.06
	Third quarter [2]	2,482	135	146	(11)	11	8.95
	Second quarter	2,556	159	143	16	82	68.62
	First quarter	2,200	136	141	(5)	77	64.27

(1) Net (undistributed) income for participating policyholders represents the in-year earnings for the account(s) after dividend distributions.

(2) Third-quarter 2001 includes a charge of $73 in the shareholder account and $9 in the participating account from the events of September 11, 2001.

(3) Under accounting standards effective January 1, 2002, goodwill is no longer amortized.

Overview – 2002

In 2002, Great-West continued to record solid growth in earnings, despite weak investment markets and declining consumer confidence. Earnings, return on common shareholder equity, and shareholder dividends all increased, while the quality of the Company's invested assets remained high. Great-West and its subsidiaries continue to receive superior ratings on claims paying ability and financial strength from the major rating agencies.

Management continues to believe the Company is well positioned for long term earnings growth.

Net Income

Net income for 2002 was $475 million, compared to $301 million for 2001. Net income attributable to common shareholder increased 79% to $461 million or $376.97 per share, compared to $258 million or $214.90 per share for 2001. After adjusting 2001 for goodwill amortization charges of $61 million and charges related to the events of September 11, 2001, net income increased 18%. The return on common shareholder equity was 24% for the year ended December 31, 2002.

Net income in 2002 reflected a significant improvement in healthcare and long-term disability results, increased fee income, decreased expense levels, and favourable morbidity experience.

The following comparative figures for 2001 have been adjusted to exclude non-recurring charges related to goodwill and the events of September 11, 2001.

Net Income – Common Shareholder
(in $ millions)

	2002	2001
Net Income	$ 461	$ 258
Goodwill amortization adjustment	–	61
September 11, 2001 adjustment	–	73
Adjusted net income	$ 461	$ 392
Earnings Per Common Share	$ 376.97	$ 214.90
Goodwill amortization adjustment	–	51.04
September 11, 2001 adjustment	–	61.17
Adjusted earnings per common share	$ 376.97	$ 327.11
Average # of shares outstanding	1,222,936	1,200,772

FINANCIAL POSITION

Total Assets Under Administration

Total assets under administration increased 1% in 2002 to $54.6 billion, from $53.8 billion in 2001. General fund assets increased 4% overall, while segregated funds assets decreased 3%.

Asset Quality

At December 31, 2002, exposure to mortgage loans and real estate was 29% of invested assets, a decrease of 2% from December 31, 2001.

The Company's exposure to non-investment grade bonds was $367 million or 2.2% of the portfolio at December 31, 2002, up from $227 million or 1.4% of the portfolio at December 31, 2001.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $93 million or 0.35% of portfolio investments at December 31, 2002, compared with $49 million or 0.19% at December 31, 2001.

The Company's allowance for credit losses at December 31, 2002, for non-performing assets and non-investment grade bonds, was $78 million, up from $46 million at year-end 2001. The Company strengthened its loan loss provisions during 2002 to reflect rating downgrades in its bond portfolio, primarily in the Telecommunications, Media and Information Technologies (TMT) sectors. Total exposure to TMT for Canadian operations is $811 million ($1 billion in 2001), of which 59% are rated "A" or higher, 15% are rated "BBB" and 26% or $213 million ($175 million net of specific provisions held) are non-investment grade. Notwithstanding the exposure to these sectors, the Company maintains a high quality, well-diversified portfolio of investments. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $406 million at December 31, 2002 ($374 million at December 31, 2001).

Asset Distribution
December 31 *(in $ millions)*

	2002		2001	
Government bonds	$ 7,721	26%	$ 6,124	22%
Corporate bonds	9,393	33	10,144	36
Mortgages	7,190	25	7,392	27
Stocks	1,414	5	1,252	5
Real estate	1,080	4	1,072	4
Sub-total portfolio investments	26,798		25,984	
Cash & certificates of deposit	533	2	353	1
Policy loans	1,494	5	1,433	5
Total invested assets	$ 28,825	100%	$ 27,770	100%

Policy Liabilities

Reference is made to note 5 of Great-West's financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

Commercial Paper and Other Loans

As described in note 6 to the financial statements, the Company now has $400 million of debentures issued in Canada.

Capital Stock and Surplus

During 2002, the Company paid dividends of $248.14 per common share and a special dividend of $30.71 for a total of $342 million and preferred share dividends of $14 million. These activities, coupled with strong earnings from operations, resulted in total policyholder and shareholder equity increasing 3% from December 31, 2001, to $3.5 billion.

On December 20, 2002, through Great-West Life Capital Trust, a trust controlled by Great-West, the Trust issued $350 million of non-voting Great-West Life Trust Securities (GREATs), which are described more fully in note 7 of the Company's financial statements.

On December 31, 2002, one of Great-West's subsidiary companies, London Insurance Group Inc. (LIG) redeemed all 5,000,000 of its Class 1 Preferred Shares, Series D, for the cash redemption price of $25.00 per share. LIG also redeemed all 5,000,000 of its Class 1 Preferred Shares, Series E on December 31, 2002 for the cash redemption price of $25.00 per share.

Financial Strength

The Office of the Superintendent of Financial Institutions Canada (OSFI) has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's ratio of available capital to MCCSR at the end of 2002 was 223% (199% at the end of 2001). London Life's MCCSR ratio at the end of 2002 was 228% (208% at the end of 2001).

Changes to the credit ratings of the Company and its principal subsidiaries during the year were as follows:

On August 28, 2002, Moody's Investors Service changed the outlook to stable from negative for its Aa2 insurance financial strength rating for Great-West and affiliated companies. The outlook change was the result of Moody's review of the Company's September 11th-related emerging reinsurance claims experience and expected future claims relative to original estimates made by the Company.

On September 19, 2002, Fitch Ratings Inc. lowered its ratings for Great-West and affiliated companies. Insurer financial strength ratings were lowered to AA+ (stable) from AAA (stable), and long-term issuer ratings were lowered to AA- (stable) from AA (stable). The ratings adjustment was part of a comprehensive industry review of all North American life insurance company ratings. The particular adjustment for Great-West and affiliated companies was driven by Fitch's newly enhanced criteria for AAA insurer financial strength ratings. The AA+ financial strength rating assigned by Fitch represents the second highest rating available.

On October 4, 2002, Standard & Poor's (S&P) changed the outlook to negative from stable for its counterparty credit ratings of Great-West and affiliated companies. The outlook change reflected concern over the potential for adverse change to revenue and earnings growth in the Company's U.S. affiliate (Great-West Life & Annuity Insurance Company) employee benefits and retirement services segments due to intense competition, soft global equity markets and continuing weakness in the U.S. economy.

Ratings of Great-West and London Life

Rating Agency	Measurement	Ratings	
		Great-West	London Life
A.M. Best Company	Financial Condition and Operating Performance	A++*	A++*
Dominion Bond Rating Service	Claims Paying Ability	IC-1*	IC-1*
Fitch Ratings Inc.	Insurer Financial Strength	AA+	AA+
Moody's Investors Service	Insurance Financial Strength	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength	AA+	AA+

** Highest rating available*

Cash Flows

December 31 (in $ millions)

	2002	2001
Cash flows relating to the following activities:		
Operations	$ 1,444	$ 1,126
Financing	(382)	(267)
Investment	(882)	(858)
Increase in cash & certificates of deposit	180	1
Cash & certificates of deposit, beginning of year	353	352
Cash & certificates of deposit, end of year	$ 533	$ 353

The cash flows from operations of $1.4 billion for the twelve month period, less cash flows used for financing activities including dividends, were deployed in assets held for investments.

For the full year 2002 compared to 2001, the increase in cash flows from operations of $318 million stems mainly from an increase in premiums and deposits. Financing activities consumed an additional $115 million in 2002 primarily due to increased dividends, repayment of commercial paper, and redemption of preferred shares, offset by the issue of $350 million of GREATs. Investment activities consumed an additional $24 million of cash flows in 2002 primarily from mortgage loan repayments and net bond purchases. Variances include the above as well as changes in timing of income tax payments between years, the incidence of reinsurance related transactions, and 2002 includes $72 million from the sale of London Guarantee Insurance Company (London Guarantee) in the first quarter.

Risk Management and Control Practices

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for future policyholder obligations.

The Board of Directors of Great-West has approved Standards of Sound Business and Financial Practice for both Pricing and Underwriting (Selection of Risks) of product offerings. Management is responsible for effective execution of these policies. A compliance process is in place for these policies. The Actuary is required to value the policy liabilities and report on the financial condition of each operating company. The Audit Committee of the Board reviews the work of the Actuary.

The significant risks and related monitoring and control practices of Great-West's operating companies are:

Mortality and Morbidity Risk

Many products provide benefits in the event of death. Benefits due to disabling conditions and medical or dental costs are also important product features. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the markets where the Company is active.

Persistency (Policy Termination) Risk

Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products where costs increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this persistency risk.

Investment Yield Risk

Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between pricing, valuation and investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer term cash flows and pricing guarantees carry more risk. Both pricing and valuation react to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk

Products with mortality and morbidity risks have specific limits of Company retention approved by the Boards of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. The Company also takes advantage of financial risk transfer through reinsurance to enhance earnings. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing monitoring process.

For additional information on these risks, refer to note 5(d), 5(e) and 5(f) of the Great-West financial statements.

Risks Associated with Invested Assets

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment and Credit Committees of the Boards of Directors annually approve Investment & Lending Policies, as well as Investment Procedures and Guidelines. A comprehensive report on compliance with these policies, procedures and guidelines is presented to the Boards of Directors or Investment and Credit Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant risks associated with invested assets that the Company manages, monitors and controls are outlined below.

Interest Rate Risk
Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for speculative purposes. Derivative products are traded with counterparties approved by the Boards of Directors or the Investment and Credit Committees of the Boards of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Credit Risk
It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment and Credit Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators.

Liquidity Risk
The Company closely manages operating liquidity through cash flow matching of assets and liabilities and has approximately $16 billion in highly marketable securities.

Foreign Exchange Risk
Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks
The Company has established specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Derivative Instruments
The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which:
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and related exposures are described in note 13 of Great-West's financial statements.

Changes in Accounting Policies

As disclosed in note 1 to the Company's financial statements, two new standards were adopted as at January 1, 2002:

- Foreign Currency Translation
- Business Combinations, Goodwill and Other Intangible Assets.

Other than the elimination of goodwill charges from the Summary of Consolidated Operations and reclassifications on the Consolidated Balance Sheet associated with the new Business Combinations, Goodwill and Other Intangible Assets standard, there is no material effect of these new policies on the financial statements for the year ended December 31, 2002.

Also disclosed in note 1 to the Company's financial statements is the adoption as at July 1, 2002 of the OSFI revised rates used to calculate the moving average market value adjustment for stocks and real estate. The change in accounting estimate does not have a material effect on the financial statements of the Company.

Recent Accounting Pronouncements

In 2002, the Canadian Institute of Chartered Accountants indicated that several changes to Canadian GAAP were in process, including:

- Disclosure of Guarantees
- Hedging Relationships.

It is not anticipated that any of these future changes will have a material impact on the financial statements of the Company.

Outlook

In 2003, the Company expects the Canadian economy to grow at a slower pace than in 2002. The Company believes the diversification and high quality of the investment portfolios of its subsidiaries position them well in this investment environment.

The Company's subsidiaries remain tightly focused on their core markets and have plans in place to capitalize on emerging opportunities and to heighten competitiveness. The Company believes these plans will continue to position its subsidiaries for long term growth.

2002 OPERATING RESULTS

Financial Information – Canadian Operations
Years ended December 31 *(in $ millions)*

	2002			2001			
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	% Change
Income:							
Premium income [(1)]	$ 6,821	$ 1,377	$ 8,198	$ 6,125	$ 1,326	$ 7,451	10%
Net investment income	1,239	909	2,148	1,332	926	2,258	-5%
Fee and other income	420	–	420	391	–	391	7%
Total income	8,480	2,286	10,766	7,848	2,252	10,100	7%
Benefits and Expenses:							
Paid or credited to policyholders	6,984	1,994	8,978	6,465	1,843	8,308	8%
Other	838	256	1,094	860	275	1,135	-4%
Net operating income before income taxes	658	36	694	523	134	657	6%
Income taxes	160	36	196	156	116	272	-28%
Net income before non-controlling interests	498	–	498	367	18	385	29%
Non-controlling interests							
Preferred shareholder dividends	21	–	21	21	–	21	–
Non-controlling interests	2	–	2	2	–	2	–
	23	–	23	23	–	23	–
Net income before goodwill amortization	475	–	475	344	18	362	31%
Amortization of goodwill	–	–	–	61	–	61	–
Net income	$ 475	$ –	$ 475	$ 283	$ 18	$ 301	58%

Summary of Net Income

	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	% Change
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ 608	$ 608	$ –	$ 602	$ 602	1%
Policyholder dividends	–	608	608	–	584	584	4%
Net income – participating policyholder	–	–	–	–	18	18	–
Attributable to shareholder							
Preferred shareholder dividends	14	–	14	25	–	25	-44%
Net income – common shareholder	461	–	461	258	–	258	79%
	475	–	475	283	–	283	68%
Net income	$ 475	$ –	$ 475	$ 283	$ 18	$ 301	58%
(1) Excludes – segregated funds deposits	$ 2,812	$ –	$ 2,812	$ 2,631	$ –	$ 2,631	7%
– self-funded premium equivalents (ASO)	$ 1,355	$ –	$ 1,355	$ 1,238	$ –	$ 1,238	9%

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.
Segregated fund business is an option offered under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Reference is made to note 17 of the Great-West financial statements, Segmented Information.

Net Income

Net Income by Segment

Years ended December 31 *(in $ millions)*	2002	2001	% Change
Attributable to Participating Policyholder			
Net income before policyholder dividends	$ 608	$ 611	–
– events of September 11, 2001	–	(9)	–
Policyholder dividends	608	584	4%
Total	$ –	$ 18	–
Attributable to Shareholder			
Preferred shareholder dividends	$ 14	$ 25	-44%
Common shareholder			
Group Insurance	$ 125	$ 82	52%
Individual Insurance & Investment Products	212	147	44%
Reinsurance & Specialty General Insurance			
– events of September 11, 2001	–	(73)	–
– other	29	33	-12%
Corporate	95	69	38%
Total	$ 461	$ 258	79%
Total net income	$ 475	$ 301	58%

Total net income from operations for 2002 was $475 million, compared to $301 million for 2001. Net income attributable to common shareholder was $461 million, up from $258 million for 2001. After adjusting 2001 for goodwill amortization charges of $61 million and charges related to the events of September 11, 2001, 2002 represents an increase of 18%.

The increase in net income in 2002 reflected growth in fee income, strong interest gains and favourable morbidity experience. The gain on sale of a subsidiary, a reduction in provisions for income taxes, and an increase in reinsurance actuarial reserves related to potential exposures were all recognized in 2002. However, the net impact of these events was not material.

Participating Policyholder

Net income attributable to participating policyholder before policyholder dividends was $608 million, consistent with a year ago. 2002 results were influenced by unfavourable equity performance and reinsurance experience, mitigated somewhat by a reduction in income tax provisions. Policyholder dividends were 4% higher in 2002 than 2001 resulting in a net income result for the participating account of zero compared to $18 million last year.

Common Shareholder

Group Insurance

The increase in shareholder net income is attributable to favourable healthcare and dentalcare results in both small/ mid-size and large case markets, and improved results from long-term disability experience due to better than expected incidence rates and pricing improvements.

Individual Insurance & Investment Products

The higher results stem from lower expenses, higher fee income, and favourable morbidity experience.

Reinsurance & Specialty General Insurance

Net income decreased from 2001, reflecting a third quarter addition to the Adverse Development Reserve of $46 million ($41 million in the shareholder account and $5 million in the participating policyholder account) related to potential exposures to future reinsurance risks, the first quarter gain of $31 million on the sale of London Guarantee, and unfavourable fourth quarter reinsurance experience in the property and casualty and life markets.

Corporate

The increase in net income is attributable to a reduction in provisions for income taxes in the third quarter of $50 million ($41 million in the shareholder account and $9 million in the participating policyholder account) arising from the completion of tax audits. This increase in net income was partially offset by a strengthening of credit loss provisions related to technology holdings, and lower investment income.

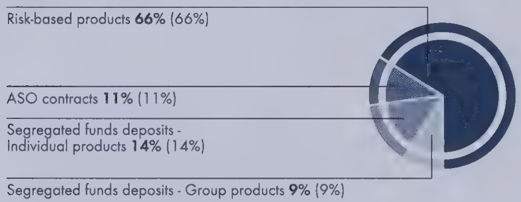
Premiums and Deposits

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales [1]		
	2002	2001	% Change	**2002**	2001	% Change
Business/Product						
Group Insurance						
Small/mid-sized case	$ 1,201	$ 1,078	11%	$ 185	$ 168	10%
Large case	2,374	2,186	9%	134	137	-2%
Individual Insurance						
Life Insurance – Participating	1,377	1,326	4%	67	53	26%
– Non-participating	278	279	–	41	43	-5%
Living Benefits	127	118	8%	24	22	9%
Retirement & Investment Services						
Individual products	1,771	1,692	5%	2,382	2,366	1%
Group products	1,315	1,186	11%	610	529	15%
Reinsurance & Specialty General Insurance	3,922	3,455	14%	3,922	3,455	14%
	$ 12,365	$ 11,320	9%	$ 7,365	$ 6,773	9%
Summary by Type						
Risk-based products	$ 8,198	$ 7,451	10%			
ASO contracts	1,355	1,238	9%			
Segregated funds deposits:						
– Individual products	1,649	1,586	4%			
– Group products	1,163	1,045	11%			
Total premiums and deposits	$ 12,365	$ 11,320	9%			

(1) *Excludes Quadrus distributed mutual funds.*

Total premiums and deposits were up 9% overall from 2001 levels. Risk-based product premiums increased 10%, while self-funded premium equivalents (ASO contracts) were up 9%. Deposits to individual segregated funds increased 4% and deposits to group accounts were up 11% reflecting uneven incidence of large case sales by year.



2001 figures are shown in brackets

Within guaranteed or traditional risk premium income, all lines of group insurance, individual insurance and living benefits reflect increases from 2001. Reinsurance and specialty general insurance premiums increased 14% related to life insurance lines. This segment of business can reflect significant revenue increases or decreases depending on the structure of the contract and often is not directly related to profitability.

Total sales increased 9% from 2001 levels. Reinsurance & Specialty General Insurance increased 14% as a result of large case sales. Group insurance sales were 5% ahead of 2001, reflecting strong sales growth in the insured markets offset by lower ASO sales. Individual insurance sales were ahead of 2001, primarily in participating whole life and wealth management products. Living Benefits results reflect increases in its illness products. Both individual and group retirement and investment services increased overall from 2001 levels with mixed results in sub-lines.

Net Investment Income

Years ended December 31 (in $ millions)

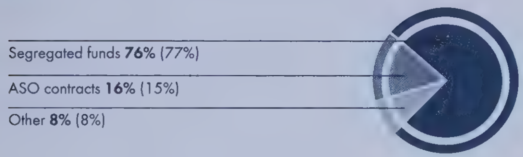
	2002	2001	% Change
Investment income earned	$ 2,026	$ 2,082	-3%
Amortization of gains and losses	179	194	-8%
Provision for credit losses	(42)	(4)	–
Gross investment income	2,163	2,272	-5%
Less: Investment expenses	15	14	7%
Net investment income	$ 2,148	$ 2,258	-5%

Net investment income for 2002, representing the investment revenues from general fund assets decreased $110 million or 5% from 2001. The decrease in investment income is primarily attributable to continued declines in interest rates affecting the Company's fixed-income portfolios, substantially offset by corresponding changes in the cost of liabilities. Other contributing factors were increases in loan loss provisions and the weak performance of equity markets. The decrease in investment income due to these factors was somewhat offset by a gain on the sale of one of the Company's subsidiaries, London Guarantee.

Fee Income

Years ended December 31

(in $ millions)	2002	2001	% Change
Segregated funds	$ 318	$ 300	6%
ASO contracts	69	61	13%
Other	33	30	10%
	$ 420	$ 391	7%



2001 figures are shown in brackets

Fee income is derived from the management of segregated funds assets and the provision of group health ASO business, as well as third party asset management. The increase in fee income in 2002 of 7% compared to 2001, is mainly due to increases in individual segregated fund related fee revenue of $18 million and ASO contract fees of $8 million. Other fee income includes fees on increased Quadrus sales, as well as increased asset management fees.

Paid or Credited to Policyholders

This amount includes increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

In aggregate, $9.0 billion was paid or credited to policyholders in 2002, an increase of 8% compared to 2001. Policyholder dividends credited in 2002 were $608 million, compared to $584 million in 2001. Most of the components of paid or credited to policyholders, which include death benefits, medical, dentalcare, visioncare and healthcare costs, increased when compared to 2001, reflecting the growth in premiums associated with these products. A large increase in benefits was recorded in the reinsurance and specialty general insurance line of business, which is largely offset by the significant increase in premiums in this same line.

Other

Included in other benefits and expenses are operating expenses and commissions, as well as premium taxes.

Years ended December 31

(in $ millions)	2002	2001	% Change
Total expenses	$ 622	$ 682	-9%
Less: Investment expenses	15	14	7%
Operating expenses	607	668	-9%
Commissions	427	400	7%
Premium taxes	60	67	-10%
Total	$ 1,094	$ 1,135	-4%

Operating expenses for 2002 are lower than 2001 levels by 9% or $61 million. 2001 operating expenses include a one-time charge related to the Participating Policyholder settlement agreement of $20 million and approximately $28 million of operating expenses for London Guarantee (sold in early 2002).

Premium taxes for both 2002 and 2001 reflect favourable adjustments related to CompCorp. In 2001, a pre-tax refund of $7 million was distributed to the Company by CompCorp, and during 2002, provisions for future assessments were reduced $15 million.

Income Taxes

The Company's overall effective income tax rate decreased from the prior year from 45.6% to 28.3%. As reported in note 12 of the Company's financial statements, the reduction in rate includes the impact of a reduction of provisions for income taxes and an increase to net income of $50 million ($41 million in the shareholder account and $9 million in the participating policyholder account) due to favourable tax experience arising from the completion of tax audits, as well as reductions resulting from a comprehensive review of overall income tax provisions.

Assets

Total assets under administration increased to $54.6 billion, up from $53.8 billion a year ago. Segregated funds assets decreased $589 million and general fund assets increased by $1.4 billion. Growth in general fund assets includes $615 million in the participating policyholder account, and $768 million in the shareholder account. General fund assets include invested assets of $28.8 billion, up 4% from $27.8 billion at December 31, 2001. In aggregate, goodwill and other intangible assets of $1.6 billion and other general fund assets of $5.6 billion were up 5% from a year ago.

Consolidated Balance Sheet
December 31 *(in $ millions)*

	2002			2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Assets						
Invested assets	$ 14,851	$ 13,974	$ 28,825	$ 14,513	$ 13,257	$ 27,770
Goodwill and intangible assets	1,597	–	1,597	1,514	–	1,514
Other general fund assets	5,217	415	5,632	4,870	517	5,387
Total general fund assets	$ 21,665	$ 14,389	$ 36,054	$ 20,897	$ 13,774	$ 34,671
Segregated funds assets			18,504			19,093
Total assets under administration			$ 54,558			$ 53,764
Liabilities, Policyholder & Shareholder Equity						
Policy liabilities	$ 16,283	$ 12,606	$ 28,889	$ 16,085	$ 11,835	$ 27,920
Net deferred gains on portfolio investments sold	427	387	814	473	445	918
Other general fund liabilities	2,141	150	2,291	1,732	248	1,980
Total liabilities	18,851	13,143	31,994	18,290	12,528	30,818
Non-controlling interests	552	–	552	460	–	460
Capital stock and surplus	2,262	1,246	3,508	2,147	1,246	3,393
Total general fund liabilities, policyholder & shareholder equity	$ 21,665	$ 14,389	$ 36,054	$ 20,897	$ 13,774	$ 34,671

Invested Assets

The Investment Division manages the general fund assets of Great-West and London Life which support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. Great-West and London Life follow prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. The Investment Division implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Asset Distribution
December 31 *(in $ millions)*

	2002		2001	
Government bonds	$ 7,721	26%	$ 6,124	22%
Corporate bonds	9,393	33	10,144	36
Mortgages	7,190	25	7,392	27
Stocks	1,414	5	1,252	5
Real estate	1,080	4	1,072	4
Sub-total portfolio investments	26,798		25,984	
Cash & certificates of deposit	533	2	353	1
Policy loans	1,494	5	1,433	5
Total invested assets	$ 28,825	100%	$ 27,770	100%

Bond Portfolio

The total bond portfolio increased to $17.1 billion or 59% of invested assets at December 31, 2002, from $16.3 billion or 58% of invested assets at December 31, 2001. Federal, provincial and other government securities represented 45% of the bond portfolio, up from 38% in 2001. The overall quality of the bond portfolio remained high, with 98% of the portfolio rated investment grade and 87% rated A or higher.

Bond Portfolio Quality *(excludes $706 million short-term investments, $485 million in 2001)*

December 31 *(in $ millions)*	2002		2001	
Estimated Rating				
AAA	$ 6,599	40%	$ 5,575	35%
AA	2,445	15	2,444	16
A	5,183	32	5,316	34
BBB	1,814	11	2,221	14
BB or lower	367	2	227	1
Total	$ 16,408	100%	$ 15,783	100%

The Company's allowance for credit losses at December 31, 2002, for non-performing assets and non-investment grade bonds, was $78 million, up from $46 million at year-end 2001. The Company strengthened its loan loss provisions during 2002 to reflect rating downgrades in its bond portfolio, primarily in the Telecommunications, Media and Information Technologies (TMT) sectors. Total exposure to TMT for Canadian operations is $811 million ($1 billion in 2001), of which 59% are rated "A" or higher, 15% are rated "BBB" and 26% or $213 million ($175 million net of specific provisions held) are non-investment grade. Notwithstanding the exposure to these sectors, the Company maintains a high quality, well-diversified portfolio of investments. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $406 million at December 31, 2002 ($374 million at December 31, 2001).

Non-Performing Loans

December 31 *(in $ millions)*	2002			2001		
Asset Class	Bonds	Mortgages	Total	Bonds	Mortgages	Total
Non-performing loans	$ 86	$ 7	$ 93	$ 39	$ 10	$ 49

Allowances for Credit Losses

December 31 *(in $ millions)*	2002			2001		
	Specific Provisions	General Provisions	Total	Specific Provisions	General Provisions	Total
Bonds and mortgage loans	$ 60	$ 18	$ 78	$ 20	$ 26	$ 46

Mortgage Portfolio

The total mortgage portfolio decreased slightly to $7.2 billion or 25% of invested assets in 2002, compared to $7.4 billion or 27% of invested assets in 2001. The mortgage portfolio consisted of 34% commercial loans, 37% multi-family/apartments and 29% single family residential loans. Total insured loans were $3.2 billion or 44% of the mortgage portfolio. It is the Company's practice to acquire only high quality commercial loans meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk rating system, which it uses in its underwriting and credit monitoring processes for commercial mortgages. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across Canada.

Equity Portfolio

The Company's total equity portfolio was $2.5 billion at December 31, 2002 or 9% of invested assets, up slightly from $2.3 billion or 9% of invested assets a year ago. The equity portfolio consists primarily of high quality publicly traded stocks and institutional-grade income producing real estate located in major Canadian economic centers.

Other General Fund Assets
December 31 *(in $ millions)*

	2002	2001
Funds withheld by ceding insurers	$ 4,786	$ 4,477
Other assets	846	910
Total other general fund assets	$ 5,632	$ 5,387

Funds withheld by ceding insurers increased $309 million, which reflects the nature of reinsurance contracts written and results in a related increase in policy liabilities.

Other assets, at $846 million, is made up of several items including premiums in course of collection, interest due and accrued, fixed assets, prepaid amounts and accounts receivable.

Segregated Funds
The Investment Division and the Company's investment subsidiaries - GWL Investment Management Ltd. (GWLIM), London Life Investment Management Ltd. (LLIM), and GWL Realty Advisors Inc. (GWLRA) - are the investment managers for the Company's segregated funds.

During 2002, the Company's segregated funds experienced positive net deposits of $566 million. Offsetting the deposit activity was the general market decline in equities resulting in a net decline of total segregated funds assets of $589 million. In total, the Company offers over 260 segregated funds as part of Individual and Group Retirement Services lines of business, including funds totaling $5.3 billion managed by 28 external managers as sub-advisors to GWLIM and LLIM.

Segregated Funds Assets
December 31 *(in $ millions)*

	2002	2001	2000	1999	1998
Stocks	$ 10,521	$ 11,414	$ 11,238	$ 9,025	$ 6,914
Bonds	4,132	4,065	4,249	4,024	3,837
Mortgages	1,349	1,150	1,070	1,128	960
Real estate	2,022	1,767	1,383	1,119	877
Cash and other	480	697	742	434	371
Total	$ 18,504	$ 19,093	$ 18,682	$ 15,730	$ 12,959
Internally-managed	13,195	14,480	14,382	12,397	10,754
Externally-managed	5,309	4,613	4,300	3,333	2,205
Year over year growth	-3%	2%	19%	21%	–

Outlook – Investment

The Investment Division will continue to develop investment strategies and establish appropriate asset mixes to produce returns that support the Company's general fund lines of business within acceptable risk levels. The majority of the investment program for the general fund will continue to be in fixed-income investments, primarily bonds and mortgages, matching the terms and characteristics of the Company's liabilities. Investments in equity markets and other asset classes are continually reviewed to enhance returns and realize on market opportunities.

With the economy expected to grow in 2003 at a slower pace than the strong rate recorded last year, bond ratings in the market overall are not expected to improve dramatically. In this environment, the Investment Division will continue to closely monitor and manage the credit quality of the Company's fixed income portfolios.

An important objective of the Investment Division and its investment subsidiaries continues to be to support the Company's initiatives in growing assets under management in segregated and mutual fund products, as well as managing assets for third parties.

Liabilities

December 31 *(in $ millions)*

	2002	2001
Policy liabilities	$ 28,889	$ 27,920
Net deferred gains on portfolio investments sold	814	918
Other general fund liabilities	2,291	1,980
Total liabilities	$ 31,994	$ 30,818

Total liabilities at December 31, 2002 were $32.0 billion, up 4% from December 31, 2001.

Policy Liabilities

Policy liabilities, at $28.9 billion compared to $27.9 billion in 2001, increased $1.0 billion. Policy liabilities are made up of actuarial liabilities, provision for policyholder claims, experience refunds and dividends, and policyholder amounts on deposit with the Company. The increase of nearly $1.0 billion is attributable to increases in actuarial liabilities reflecting growth from increased premiums, as well as increases in the amounts on deposit with the Company.

Other General Fund Liabilities

December 31 *(in $ millions)*

	2002	2001
Current income taxes	$ 452	$ 379
Commercial paper and other loans	583	705
Other liabilities	1,256	896
Total other general fund liabilities	$ 2,291	$ 1,980

The reduction in commercial paper and other loans of $122 million from December 31, 2001 values is essentially due to repayments of first mortgages secured by real estate and repayment of subordinated notes due to the parent company. Reference is made to note 6 of the Company's financial statements for an analysis of the loans outstanding. Other liabilities, at $1.3 billion, increased 40% from December 31, 2001. This grouping of accounts consists of trade payables, accruals, temporary transaction related liabilities, as well as provisions for retirement benefits other than pensions. Temporary transaction related liabilities, particularly reinsurance related, represent most of the change, an increase of $283 million compared to December 31, 2001.

Liquidity

The Company uses a number of techniques to manage liquidity in the general fund. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets is held in highly marketable securities that can be sold to meet any unanticipated cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $16.2 billion provide adequate levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

Liquid Assets
December 31 *(in $ millions)*

	2002		2001	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & certificates of deposit	$ 533	$ 533	$ 331	$ 331
Highly marketable securities				
Government bonds	7,493	7,881	5,896	6,077
Corporate bonds	5,931	6,061	6,669	6,586
Common/Preferred shares	1,226	1,235	946	983
Residential mortgages (insured)	1,045	1,069	1,265	1,295
Total	$ 16,228	$ 16,779	$ 15,107	$ 15,272

Cashable Liability Characteristics
December 31 *(in $ millions)*

	2002	2001
Surrenderable insurance and annuity liabilities		
At market value	$ 2,638	$ 2,735
At book value	11,871	11,088
Total	$ 14,509	$ 13,823

Business Segments

Group Insurance

Consolidated Net Income
Years ended December 31 *(in $ millions)*

	2002	2001
Income:		
Premium income	$ 2,220	$ 2,026
Net investment income	205	215
Fee and other income	68	61
Total income	2,493	2,302
Benefits and Expenses:		
Paid or credited to policyholders	1,868	1,739
Other	426	391
Net operating income before income taxes	199	172
Income taxes	74	67
Net income before non-controlling interests	125	105
Non-controlling interests		
Preferred shareholder dividends	–	–
Non-controlling interests	–	–
	–	–
Net income before goodwill amortization	125	105
Amortization of goodwill	–	23
Net income	$ 125	$ 82

Summary of Net Income

Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	–	–
Net income – common shareholder	125	82
	125	82
Net income	$ 125	$ 82

Net income attributable to common shareholder increased 19% in 2002 to $125 million, compared to $105 million in 2001 after adjusting for goodwill amortization charges of $23 million. The health account experienced strong morbidity gains across all the sub-lines of business. Within the long-term disability sub-line, the significant improvement in results is attributed to stabilizing incidence rates and pricing improvements. In the medical, drug and dental sub-lines, the improving experience was particularly evident in the small and mid-sized markets. The life account mortality results also improved as death claim experience was less than expected.

Interest gain results were relatively flat on a year over year comparative basis as gains emerging from asset growth were offset by reduced interest margins. The expense gain component of earnings increased, reflecting lower unit costs and higher expense recovery rates, particularly in the larger market.

Group Insurance – Divisional Summary
Years ended December 31 *(in $ millions)*

	Premiums and Deposits			Sales		
	2002	2001	% Change	**2002**	2001	% Change
Business/Product						
Small/mid-sized case	$ 1,201	$ 1,078	11%	$ 185	$ 168	10%
Large case – insured	1,019	948	7%	76	65	17%
– ASO	1,355	1,238	9%	58	72	-19%
Total	$ 3,575	$ 3,264	10%	$ 319	$ 305	5%

Overall premium income, which includes claims from Administrative Services Only (ASO) clients, was up 10% to $3.6 billion in 2002. The growth was driven by improved client persistency in combination with higher sales results.

Persistency improved significantly across all market segments, with particularly strong results in the small and mid-sized markets. Sales results were up a modest 5% reflecting an overall industry decline in new sales on a year over year comparison.

The strong sales growth experienced in the small/mid-sized and large case insured market was offset by lower ASO sales where results fluctuate based on market activity and opportunities to acquire new business at sustainable pricing levels.

Risk Analysis and Management

The basic risk related to group insurance centers on the insurer's ability to predict claims experience for the coming year. Most risks facing the group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In health care products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, aging and industry characteristics play a role in establishing future claims patterns. However, there is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict and adjudicate, and they tend to be longer in duration than claims related to other disabilities. These risks are managed through pricing and plan designs that emphasize prevention, earlier intervention and return to work programs.

Outlook – Group Insurance

For those companies that are strongly positioned within the Canadian Group marketplace, the outlook is very positive. Demutualization and consolidation have resulted in price rationalization that has facilitated a greater opportunity for profitable growth in all market segments. New technologies have created new opportunities for companies to lower costs while improving their product and services to plan sponsors and plan members.

Great-West, with its extensive distribution capability and its low cost, is in an excellent position to capitalize on these new opportunities. Through the effective application of new technologies, Great-West anticipates that significant reductions in administration and claims adjudication costs will be achieved, thereby enhancing its competitive advantage in this important measure of success. As well, these new technologies will allow the Group Division to expand current services to its plan sponsors, plan members and producers by offering them an ability to transact business and obtain benefit plan and health related information through direct access to administrative systems and data. Finally, as group disability plans continue to gain the attention of plan sponsors, Great-West has developed an array of expanded disability services that will support clients in the management of their plans. Early intervention programs and on-line disability management information services are available to meet these emerging client needs.

Individual Insurance & Investment Products

Consolidated Net Income
Years ended December 31 *(in $ millions)*

	2002			2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Income:						
Premium income	$ 662	$ 1,377	$ 2,039	$ 628	$ 1,326	$ 1,954
Net investment income	463	909	1,372	513	926	1,439
Fee and other income	332	–	332	311	–	311
Total income	1,457	2,286	3,743	1,452	2,252	3,704
Benefits and Expenses:						
Paid or credited to policyholders	741	1,994	2,735	799	1,843	2,642
Other	365	256	621	374	275	649
Net operating income before income taxes	351	36	387	279	134	413
Income taxes	139	36	175	104	116	220
Net income before non-controlling interests	212	–	212	175	18	193
Non-controlling interests						
Preferred shareholder dividends	–	–	–	–	–	–
Non-controlling interests	–	–	–	–	–	–
	–	–	–	–	–	–
Net income before goodwill amortization	212	–	212	175	18	193
Amortization of goodwill	–	–	–	28	–	28
Net income	$ 212	$ –	$ 212	$ 147	$ 18	$ 165

Summary of Net Income

Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ 608	$ 608	$ –	$ 602	$ 602
Policyholder dividends	–	608	608	–	584	584
Net income – participating policyholder	–	–	–	–	18	18
Attributable to shareholder						
Preferred shareholder dividends	–	–	–	–	–	–
Net income – common shareholder	212	–	212	147	–	147
	212	–	212	147	–	147
Net income	$ 212	$ –	$ 212	$ 147	$ 18	$ 165

Individual Insurance & Investment Products (IIIP) consists of three distinct product divisions – Individual Life Insurance, Living Benefits and Retirement & Investment Services (RIS). Products are distributed through Freedom 55 Financial and Great-West financial security advisors, as well as independent brokers and intercorporate agreements with other financial institutions.

Net income attributable to common shareholder increased 21% to $212 million from 2001 results adjusted for goodwill amortization. Increased individual life insurance results reflect a favourable change in actuarial liabilities related to excess interest rate provisions, described in note 5 of the Company's financial statements, as well as improved mortality. Living Benefits experienced favourable morbidity experience in 2002, while exceptionally strong net cash flow despite turbulent markets, resulted in earnings growth for RIS. Participating policyholder dividends were $608 million in 2002 compared to $584 million in 2001. Effective expense management continued to support the earnings growth in all IIIP divisions.

Individual Insurance – Divisional Summary

Years ended *(in $ millions)*	Individual Life		Living	
	Participating	Non-Participating	Benefits	Total
December 31, 2002				
Sales premium	$ 67	$ 41	$ 24	$ 132
Revenue premium income	1,377	261	127	1,765
December 31, 2001				
Sales premium	$ 53	$ 43	$ 22	$ 118
Revenue premium income	1,326	263	118	1,707

Individual Life Insurance

Individual life insurance sales, measured by annualized premium, increased by 11% to $108 million in 2002, while revenue premium exceeded $1.6 billion.

This is a favourable result, as life insurance sales were generally down across the industry in 2002 due to decreases in universal life sales. The Company's favourable results are due to its strong portfolio of traditional term and participating life insurance products.

Sales of participating policies increased 28% in 2002, and continued strong in the age 50+ wealth management market. The retrenchment of participating insurance sales in Canada by competitors, spurred by demutualization, continues to bolster the Company's dominant market position of more than 40% of Canadian participating insurance sales.

New annualized premium from term insurance sales increased 1% over 2001 and the Company's universal life products decreased to $5 million in 2002 from $6 million in 2001.

In recent years, the Company expanded its life insurance product offering through two intercorporate agreements with third parties. These agreements provide universal life, term insurance and non-participating permanent products for the high-net-worth market. Sales of these products were constant at $12 million in 2002.

The Company's sound management of its participating insurance businesses enables it to deliver long-term policyholder dividend performance that is consistently among the best in the industry. Participating portfolio investment returns were lower due to market conditions, which created pressure on related earnings. However, favourable mortality, morbidity and expense levels allowed the Company to maintain policyholder dividend scales for 2002. A reduction to the 2003 policyholder dividend scales, effective April 1, 2003, has been implemented, due to sustained lower investment returns on the assets backing liabilities in the participating account, which have not been fully offset by mortality improvements. A regulated percentage of in-year distributable surplus in the participating account is credited to the shareholder account. In 2002, the total amount credited was $16 million.

Risk Analysis and Management

The most significant risk in the life insurance business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. Because of the long-term nature of life insurance contracts, the impact of underwriting practices tends to emerge 20 or 30 years after contracts are issued, when most claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as today's practices.

A current industry risk involves the pricing of the level cost of insurance option within universal life products. The pricing of this option, guaranteed for the life of the policy, requires a guaranteed interest rate and lapse assumption extending over a long period. A small adverse change in actual long-term lapses or investment returns can lead to significant insufficiency in premiums. Management considers the industry's current pricing of this option to be lower than required to produce adequate profitability, and has avoided significant exposure in this market.

Living Benefits

Living Benefits sales, consisting of disability insurance and critical illness insurance, increased by almost 9% in 2002 for a total of $24 million in new annualized premium. This growth was mainly due to increased sales of critical illness insurance. Overall, revenue premium increased 8% to $127 million, indicating strong persistency.

Critical illness insurance sales of $5 million in new annualized premium continue to exceed expectations. *Oasis*™, Great-West's critical illness product, was first introduced in 2000 and further enhanced in 2001. Within a short period, this product has become a market leader.

Disability insurance sales of $19 million in new annualized premium represented a 1% increase in 2002. During this time, industry sales also increased, mainly due to growth in guaranteed standard issue sales. To date, Great-West has not been a key player in the guaranteed standard issue market, but launched a pilot program in 2002.

The self-employed market, buoyed by ongoing consolidation in several industries, continues to be the main source of sales, accounting for approximately 70% of new business.

Risk Analysis and Management

The significant risk for this line of business is morbidity, which is the incidence and duration of disability insurance claims and the incidence of critical conditions for critical illness insurance.

Disability experience is highly cyclical and changes with economic conditions. A significant number of disability claims relate to stress and mental/nervous disorders, reflecting changes in the economy. The incidence of these claims is more difficult to predict and adjudicate than many other conditions. In addition, they tend to last longer than claims related to other disabilities.

The Company manages the disability risk through its underwriting practices, experience and trend analysis, in addition to its reserve and pricing reviews. Current morbidity experience reflects the diligence of past underwriting practices and pricing, as well as current practices.

Retirement & Investment Services

Divisional Summary [1]

Years ended *(in $ millions)*

	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 2002					
Sales premium					
Risk-based products	$ 374	$ 39	$ 1	$ 45	$ 459
Segregated funds	1,963	209	361	–	2,533
Revenue premium income					
Risk-based products	90	152	–	32	274
Segregated funds	1,649	802	361	–	2,812
Assets under administration					
Risk-based products	1,226	1,124	43	2,603	4,996
Segregated funds	10,074	3,797	4,633	–	18,504
Total	$ 11,300	$ 4,921	$ 4,676	$ 2,603	$ 23,500
December 31, 2001					
Sales premium					
Risk-based products	$ 417	$ 38	$ 9	$ 33	$ 497
Segregated funds	1,916	195	287	–	2,398
Revenue premium income					
Risk-based products	73	141	–	33	247
Segregated funds	1,586	737	308	–	2,631
Assets under administration					
Risk-based products	1,323	1,107	62	2,665	5,157
Segregated funds	10,012	3,838	5,243	–	19,093
Total	$ 11,335	$ 4,945	$ 5,305	$ 2,665	$ 24,250

(1) *Excludes Quadrus distributed mutual funds sales and assets.*

The Company's Retirement & Investment Services (RIS) division experienced mixed sales results in 2002 as the difficult market conditions persisted. Continued poor equity market performance led to growing consumer unease with investment funds and more interest in preserving capital and in products with guarantees.

Within this difficult investment climate, total RIS division assets remained stable. According to 2002 mutual fund asset statistics published by the Investment Funds Institute of Canada (IFIC), total Canadian mutual fund assets decreased by 8%, while the Company's individual retail segregated funds grew marginally during the same period.

The Company strengthened its leading market share position for individual segregated funds assets, increasing to 25.8% at December 31, 2002, from 23.6% at the end of 2001. The Company's market share of individual retail segregated funds net deposits at December 31, 2002, was 68%. Gross sales and net cash flow of individual savings plans increased in 2002 over 2001. Net cash flow for individual retail segregated funds assets for 2002 was 8% of beginning assets, compared with 1% for the Canadian mutual fund industry, as published by IFIC. The Company offers 56 *Freedom Funds™* to individual Freedom 55 Financial clients and 54 segregated funds to individual Great-West clients.

Group savings plan sales increased slightly year over year despite an overall sales decline in the marketplace. An increase in revenue premium resulted in improved net cash flow in 2002, compared to 2001. In addition, continued enhancements in online services contributed to improved unit costs. An industry benchmark study by Brendan Wood International ranked the Group Retirement Services organization first in client service, client loyalty and selection criteria. Group Investment Management sales for 2002 increased from the previous year due to favourable results from the large case market.

Mutual Funds

Mutual fund assets distributed by Quadrus licensed investment representatives increased 19% as a result of sales activity and successfully repatriating investment representatives and their mutual fund business to Quadrus. In 2002, sales of mutual funds through Quadrus increased 41% despite the difficult marketplace. By year end, Quadrus had over 3,000 licensed investment representatives.

Quadrus Investment Services
Years ended December 31

(in $ millions)	2002	2001
Mutual fund sales	$ 195	$ 138
Distributed mutual fund assets	1,152	969

Quadrus offers 40 mutual funds under the *Quadrus Group of Funds™* brand. Quadrus works closely with Mackenzie Financial Corporation (Mackenzie), a member of the Power Financial Corporation group of companies, which manages Quadrus's administrative platform. The Company expects significant growth in this relatively new line of business.

Risk Analysis and Management

The Company's investment fund business is fee-based, with revenue and profitability based on the market value of investment fund assets under management. Fluctuations in fund asset levels occur as a result of both changes in cash flow and general investment market conditions. Through its wide range of funds, the Company limits its risk exposure to any particular market. As well, the Company advocates its clients follow a long-term asset allocation approach, which reduces the risk of cash flow changes due to market timing. The success of this approach is evident with the Company experiencing significantly better net cash flow and market returns on its segregated funds than overall mutual fund industry results.

At December 31, 2002, 67% of individual segregated funds assets were in diversified funds and "fund of funds" investment profiles, which are designed to improve the likelihood of optimal returns within a given level of risk.

A risk facing the industry has been the trend towards promoting guarantees against losses on segregated fund investments. The capital requirements introduced by OSFI at the end of 2000 (based on a risk-adjusted set of factors) influenced the industry to adopt significant changes in product design, with a trend towards more conservative guarantees and, in many cases, increased fees for clients. These changes further increased the competitiveness of the Company's products and lowered future risk for the industry as a whole. The vast majority of the Company's maturity guarantees are for 75% of policyholder deposits, less withdrawals, rather than the more aggressive 100%.

Outlook – IIIP

The past 12 months have been exceptionally challenging for the North American economy. Despite this turbulence, the Company increased the size of its distribution organizations – Freedom 55 Financial and Great-West – and outperformed the industry in many areas.

Performance in Individual life insurance significantly outpaced the industry. Although life insurance sales were down 3% across the industry, the Company's total new annualized premium grew 11% from the prior year, while sales of participating insurance increased 28% from 2001. Sales were particularly strong in the affluent and established market segment, where life insurance can play an important role in business succession and estate planning. The Company expects this demand to continue.

Both mutual and segregated funds assets under management grew in 2002 despite difficult markets and investor anxiety. Great-West is the leading provider of segregated funds in Canada. Proprietary segregated and mutual funds accounted for approximately $1 of every $5 in net sales in the investment industry.

An important goal is to continue to equip financial security advisors with tools to enhance their productivity. Financial security advisors and managers are already enjoying the benefits of a new business planning tool, as well as enhanced planning and sales tools to use with clients. During the last 12 months, financial security advisors received new, simplified sales processes to help increase revenues from investment funds and critical illness insurance. In 2003, the Company will expand the use of these tools and introduce new sales tools for risk products.

In addition, the Company will make a significant investment in technology support to financial security advisors by providing greater access to online information and client service tools.

Another priority is to provide clients with improved fund statements for retail segregated funds. The new statements will include graphs, charts and an easier-to-read format so clients can track account activity and see at a glance how their portfolio is structured and performing.

An important future source of revenue is subsidiary Quadrus Investment Services. In particular, the Quadrus family of 40 exclusive mutual funds represents a growing source of fee income.

Reinsurance & Specialty General Insurance

The Company conducts its reinsurance business through London Reinsurance Group (LRG), which participates in life, property and casualty, accident and health, and annuity coinsurance, in specific niche markets.

Reinsurance & Specialty General Insurance

Consolidated Net Income

Years ended December 31 *(in $ millions)*	**2002**	2001
Income:		
Premium income	$ 3,922	$ 3,455
Net investment income	474	473
Fee and other income	2	2
Total income	4,398	3,930
Benefits and Expenses:		
Paid or credited to policyholders	4,338	3,894
Other	28	78
Net operating income before income taxes	32	(42)
Income taxes	2	(12)
Net income before non-controlling interests	30	(30)
Non-controlling interests		
Preferred shareholder dividends	–	–
Non-controlling interests	1	2
	1	2
Net income before goodwill amortization	29	(32)
Amortization of goodwill	–	8
Net income	$ 29	$ (40)

Summary of Net Income

Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	–	–
Net income – common shareholder	29	(40)
	29	(40)
Net income	$ 29	$ (40)

Net income attributable to common shareholder of $29 million in 2002, is comparable to $41 million a year ago, after adjusting 2001 to exclude goodwill amortization and charges related to the events of September 11, 2001. In 2002, net income of $29 million was impacted by both a gain on the sale of London Guarantee in early 2002 and unfavourable reinsurance experience in LRG.

Net Income Analysis
Years ended December 31

(in $ millions)	2002	2001
London Reinsurance Group[1]	$ (1)	$ (34)
London Guarantee		
-operations	–	(1)
-gain on sale	31	–
Other	(1)	(5)
Total	$ 29	$ (40)

[1] 2001 includes a provision of $73 million in the shareholder account for the events of September 11, 2001.

London Reinsurance Group (LRG)

The Company's reinsurance business is conducted through LRG. LRG is a global provider of specialty finite reinsurance and holds a strategic position in a number of niche retrocession and reinsurance markets. LRG is a composite reinsurer, reinsuring life, property and casualty, accident and health and annuity business primarily in the United States and Europe, through operating subsidiaries in the United States, Barbados and Ireland. LRG holds a strong market share in the U.S. property and casualty finite retrocession market and the U.S. life financial reinsurance market.

LRG's net loss for 2002 was $1 million compared to a loss of $34 million in 2001. In 2001, a charge was made for $82 million after-tax, of which $73 million was attributable to the shareholder account, related to an estimated claims provision from the events of September 11, 2001. No changes have been made with respect to this provision to date, as the original amount continues to be considered appropriate.

Income in 2002 was adversely impacted by strengthening of reserves related to the guaranteed maturity benefit portfolio due to stock market deterioration, and strengthening of reserves as a consequence of deterioration in claims experience on certain property and casualty and life reinsurance contracts. Although no significant cash payments have been made on these reinsurance contracts, a full provision has been made to reflect the level of claims as notified by clients.

Premium income in 2002 increased $563 million or 17% over 2001 primarily due to the level of underlying life line of business structured reserve transfer reinsurance contracts written in 2002. Assets in the life line of business had a corresponding increase in 2002.

Risk Analysis and Management

LRG continues to manage its risk through the diversification of business by client, geographic area and type of risk insured. LRG's underwriting policies, investment and financial management practices allow LRG to react to a changing business environment.

LRG's capacity to write financial reinsurance business is determined primarily by its ability to issue letters of credit to clients and maintain a strong liquidity position. In this regard, LRG continues to benefit from the overall strength and support of Great-West and its commitment to the reinsurance business. LRG has a U.S. $1.425 billion syndicated letter of credit facility.

London Reinsurance Group – Divisional Summary
Years ended December 31 *(in $ millions)*

	2002		2001	
	Premium Income	Assets	Premium Income	Assets
Line of Business				
Life	$ 2,815	$ 2,869	$ 2,257	$ 2,368
Property and casualty	829	3,373	853	3,181
Annuity	192	735	150	909
Accident and health	86	203	99	90
Capital and surplus	–	715	–	717
	$ 3,922	$ 7,895	$ 3,359	$ 7,265
Geographic				
Barbados	$ 3,137	$ 5,918	$ 3,101	$ 5,765
Ireland	681	1,049	137	579
Other	104	928	121	921
	$ 3,922	$ 7,895	$ 3,359	$ 7,265

Outlook – LRG

The reinsurance industry has experienced difficult and volatile times over the last few years. The reinsurance industry continues to undergo significant changes. Reinsurers have exited certain lines of business and entered others. Some reinsurers are being sold and despite the general turmoil and uncertainty in the industry, a number of new reinsurers commenced operations in 2001 and 2002 in the aftermath of September 11.

LRG expects improved results in 2003 due to continuous increases in premium rates and improved terms and conditions.

LRG will maintain its core strategy of providing financial reinsurance to core relationship clients. LRG, through its operating subsidiaries, will continue to be a provider of niche reinsurance products.

London Guarantee

As discussed in note 18 of the Company's financial statements, on March 21, 2002, London Life closed the sale of its subsidiary, London Guarantee, to the St. Paul Companies of Saint Paul, Minnesota, which resulted in an after-tax gain of $31 million.

Corporate

The Corporate segment includes investment income, expenses and charges related to capital and other assets not associated with major business units, as well as the reconciliation of total income taxes reported for the shareholder account and the internal allocation of income taxes to the major units. The Corporate segment includes the business activities that are not associated with the major business units of Great-West and the operations of the United States branch of Great-West.

Consolidated Net Income
Years ended December 31 *(in $ millions)*

	2002	2001
Income:		
Premium income	$ 17	$ 16
Net investment income	97	131
Fee and other income	18	17
Total income	132	164
Benefits and Expenses:		
Paid or credited to policyholders	37	33
Other	19	17
Net operating income before income taxes	76	114
Income taxes	(55)	(3)
Net income before non-controlling interests	131	117
Non-controlling interests		
Preferred shareholder dividends	21	21
Non-controlling interests	1	–
	22	21
Net income before goodwill amortization	109	96
Amortization of goodwill	–	2
Net income	$ 109	$ 94

Summary of Net Income

	2002	2001
Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	14	25
Net income – common shareholder	95	69
	109	94
Net income	$ 109	$ 94

Net income attributable to common shareholder in the Corporate segment in 2002 was $95 million, compared to $71 million for 2001, after adjusting for goodwill. Included in this segment in 2002 is the reduction of provisions for income taxes of $41 million described in note 12 of the Company's financial statements, partially offset by a strengthening of credit loss provisions related to technology holdings and lower investment income compared to 2001.

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Management's Responsibility

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles including the requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimate due to dependency on subsequent events. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The consolidated financial statements were approved by the Board of Directors which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists entirely of non-management Directors. The function of the Audit Committee is to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Review the independence of the external auditors, the terms of their engagement, audit fees, and recommend the appointment of the external auditors to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to Section 165(2)(i) of the *Insurance Companies Act* (Canada), appoints the Actuary who is:

- Responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion, which is presented following the financial statements.
- Required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2006, under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Auditors' Report to the Policyholders, Shareholders and Directors is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position of the Company in accordance with Canadian generally accepted accounting principles, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

Raymond L. McFeetors
President and
Chief Executive Officer

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

January 30, 2003

Summary of Consolidated Operations

(in millions of dollars except earnings per common share)

	For the years ended December 31	
	2002	2001
Income		
Premium income	$ 8,198	$ 7,451
Net investment income	2,148	2,258
Fee and other income	420	391
	10,766	10,100
Benefits and Expenses		
Policyholder benefits	7,283	6,584
Increase in actuarial liabilities	942	1,018
Policyholder dividends and experience refunds	753	706
Total paid or credited to policyholders	8,978	8,308
Commissions	427	400
Operating expenses	607	668
Premium taxes	60	67
Net operating income before income taxes	694	657
Income taxes – current	197	211
– future	(1)	61
Net income before non-controlling interests	498	385
Non-controlling interests *(note 7)*	23	23
Net income before amortization of goodwill	475	362
Amortization of goodwill	–	61
Net income	$ 475	$ 301
Earnings per common share	$ 376.97	$ 214.90

Summary of Net Income

	2002	2001
Attributable to participating policyholder *(note 8)*		
Net income before policyholder dividends	$ 608	$ 602
Policyholder dividends	608	584
Net income – participating policyholder	–	18
Attributable to shareholder		
Preferred shareholder dividends	14	25
Net income – common shareholder	461	258
	475	283
Net income	$ 475	$ 301

Consolidated Balance Sheet

(in millions of dollars)

	December 31	
	2002	2001
Assets		
Bonds *(note 2)*	$ 17,114	$ 16,268
Mortgage loans *(note 2)*	7,190	7,392
Stocks *(note 2)*	1,414	1,252
Real estate *(note 2)*	1,080	1,072
Loans to policyholders	1,494	1,433
Cash and certificates of deposit	533	353
Funds withheld by ceding insurers	4,786	4,477
Premiums in course of collection	219	251
Interest due and accrued	301	334
Goodwill and intangible assets *(note 4)*	1,597	1,514
Other assets	326	325
General funds assets	$ 36,054	$ 34,671
Segregated funds assets	$ 18,504	$ 19,093

Approved by the Board:

Robert Gratton
Chairman of the Board

Raymond L. McFeetors
President and
Chief Executive Officer

Consolidated Balance Sheet

(in millions of dollars)

	December 31	
	2002	2001
Liabilities		
Policy liabilities		
Actuarial liabilities *(note 5)*	$ 25,900	$ 24,986
Provision for claims	377	439
Provision for policyholder dividends	306	299
Provision for experience rating refunds	778	688
Policyholder funds	1,528	1,508
	28,889	27,920
Commercial paper and other loans *(note 6)*	583	705
Current income taxes	452	379
Future income taxes *(note 12)*	132	45
Other liabilities	1,124	851
Net deferred gains on portfolio investments sold *(note 2)*	814	918
	31,994	30,818
Non-controlling interests *(note 7)*	552	460
Policyholder and Shareholder Equity		
Participating policyholder surplus *(note 8)*	1,243	1,243
Capital stock *(note 9)*	1,003	1,002
Shareholder surplus	1,247	1,131
Provision for unrealized gain on translation of net investment in foreign operations		
Participating policyholder *(note 8)*	3	3
Shareholder	12	14
	3,508	3,393
General funds liabilities, policyholder and shareholder equity	$ 36,054	$ 34,671
Segregated funds	$ 18,504	$ 19,093

Consolidated Statement of Surplus

(in millions of dollars)

	For the years ended December 31	
	2002	2001
Participating Policyholder		
Balance, beginning of year	**$ 1,243**	$ 1,225
Net income	**–**	18
Balance, end of year	**$ 1,243**	$ 1,243
Shareholder		
Balance, beginning of year	**$ 1,131**	$ 1,057
Net income	**475**	283
Acquisition discount – preferred shares	**–**	19
Issue costs of subsidiary, net of taxes *(note 7)*	**(3)**	–
Dividends to shareholders		
Preferred shareholders	**(14)**	(25)
Common shareholders	**(342)**	(203)
Balance, end of year	**$ 1,247**	$ 1,131

Consolidated Statement of Cash Flows

(in millions of dollars)

	For the years ended December 31	
	2002	2001
Operations		
Net income	$ 475	$ 301
Adjustments for non-cash items:		
Change in policy liabilities	1,065	1,433
Change in funds withheld by ceding insurers	(309)	(922)
Change in current income taxes payable	61	(39)
Future income tax expense	(1)	61
Amortization of goodwill	–	61
Other	153	231
Cash flows from operations	1,444	1,126
Financing Activities		
Issue of preferred shares to parent	1	–
Issue of Great-West Life Capital Trust securities	350	–
Redemption of preferred shares	–	(221)
Redemption of preferred shares of subsidiary	(250)	–
Issue (repayment) of subordinated debt to parent	(63)	200
Repayment of commercial paper and other loans	(59)	(18)
Issue costs of subsidiary	(5)	–
Dividends paid	(356)	(228)
	(382)	(267)
Investment Activities		
Bond sales and maturities	10,080	7,837
Mortgage loan repayments	1,364	1,764
Stock sales	359	415
Real estate sales	37	13
Change in loans to policyholders	(61)	(65)
Investment in subsidiaries	72	–
Investment in bonds	(10,960)	(8,570)
Investment in mortgage loans	(1,147)	(1,630)
Investment in stocks	(590)	(586)
Investment in real estate	(36)	(36)
	(882)	(858)
Increase in cash and certificates of deposit	180	1
Cash and certificates of deposit, beginning of year	353	352
Cash and certificates of deposit, end of year	$ 533	$ 353
Supplementary Cash Flow Information		
Income taxes paid	$ 130	$ 236
Interest paid	$ 39	$ 29

Segregated Funds –
Consolidated Assets

(in millions of dollars)

	December 31 2002	December 31 2001
Bonds	$ 4,132	$ 4,065
Mortgage loans	1,349	1,150
Stocks	10,521	11,414
Real estate	2,022	1,767
Cash and certificates of deposit	1,102	1,187
Income due and accrued	76	78
Other assets (liabilities)	(698)	(568)
	$ 18,504	$ 19,093

Segregated Funds –
Consolidated Statements of Changes in Assets

(in millions of dollars)

	For the years ended December 31 2002	For the years ended December 31 2001
Segregated funds assets – January 1	$ 19,093	$ 18,682
Additions (deductions):		
Policyholder deposits	2,812	2,631
Net investment income	341	380
Net realized capital gains (losses) on investments	(603)	(370)
Net unrealized capital gains (losses) on investments	(888)	(555)
Unrealized gains (losses) due to change in foreign exchange rates	(5)	33
Policyholder withdrawals	(2,360)	(1,880)
Net transfer from General Fund	114	172
	(589)	411
Segregated funds assets – December 31	$ 18,504	$ 19,093

1. Basis of Presentation and Summary of Accounting Policies

These consolidated financial statements of The Great-West Life Assurance Company (Great-West or the Company) have been prepared in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada (OSFI) and include the accounts of its subsidiary companies. The principal subsidiaries at December 31, 2002 are:

London Insurance Group (LIG)

GWL Investment Management Ltd. (GWLIM)

GWL Realty Advisors Inc.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $23 ($23 in 2001). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market, are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $92 ($76 in 2001). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

Effective July 1, 2002, the Company has implemented revised OSFI rates used to calculate the moving average market value adjustments for stocks and real estate. The rate used to adjust stocks towards market value has been changed from 15% per annum to 5% per quarter and the rate used to adjust real estate towards market value has been changed from 10% per annum to 3% per quarter. This change in accounting estimate has been applied prospectively and does not have a material effect on the financial statements of the Company.

(b) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments used by the Company are summarized in note 13.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instrument, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in income.

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

(c) Foreign Currency Translation

During 2002 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1650 Foreign Currency Translation. The amended standards eliminate the deferral and amortization approach to exchange gains and losses on long-term monetary items and require the disclosure of exchange gains and losses included in the calculation of net income. There is no material effect of this change in accounting policy on the financial statements of the Company.

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. United States assets and liabilities have been translated into Canadian dollars at the December 31, 2002 market rate of $1.5800 ($1.5930 in 2001) and all United States income and expense items have been translated at an average rate of $1.5700 ($1.5490 in 2001). The provision for unrealized gain of $15 ($17 in 2001) on foreign currency translation of the Company's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of its United States operations into Canadian dollars. Net realized foreign exchange gains and losses are included in investment income.

(d) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance, are fully secured by the cash surrender values of the policies and have effective interest rates ranging from 5% to 8% (5% to 9% in 2001).

(e) Funds Withheld by Ceding Insurers

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

(f) Goodwill and Intangible Assets

During 2002, the Company adopted the recommendations of the CICA Handbook Section 1581 Business Combinations and 3062 Goodwill and Other Intangible Assets.

In accordance with the requirements of the new standards, during 2002, the Company:

– analyzed existing goodwill and reclassified items that should be recognized as separate intangible assets;
– completed impairment testing of all indefinite life intangible assets;
– ceased amortizing goodwill and indefinite life intangible assets;
– allocated goodwill to reporting units and completed the related transitional impairment testing of allocated goodwill;
– established October 1 as the date of the annual impairment testing of allocated goodwill and intangible assets.

No impairment loss resulted from the transitional or annual impairment testing. Other than the elimination of goodwill amortization charges from the Summary of Consolidated Operations, and the reclassifications on the Consolidated Balance Sheet as described in Note 4, the new standards had no impact on the Company's financial statements.

($ amounts in millions of dollars unless otherwise noted)

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

The following table provides a reconciliation between reported net income and earnings per common share adjusted to exclude the amortization of goodwill, on an after-tax basis:

For the years ended December 31	2002	2001
Net income:		
Reported net income	$ 475	$ 301
Add back: amortization of goodwill, net of tax	–	61
Net income adjusted for amortization of goodwill	$ 475	$ 362
Earnings per common share:		
Reported earnings per common share	$ 376.97	$ 214.90
Add back: amortization of goodwill, net of tax	–	51.04
Basic earnings per common share adjusted for amortization of goodwill	$ 376.97	$ 265.94

(g) Income Taxes

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantially enacted at the balance sheet date.

(h) Shareholder Portion of Participating Earnings

The shareholder portion of participating earnings represents, as restricted by law, a portion of net income before policyholder dividends of the participating account, $16 in 2002 ($15 in 2001). The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. $32 of shareholder surplus ($32 in 2001) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders.

(i) Actuarial Liabilities

During 2001, the Company adopted the new standards of the CICA Handbook Section 4210 Life Insurance Enterprises – Specific Items. The Canadian Asset Liability Method is used for valuing actuarial liabilities. There was no material effect of this change on the financial statements of the Company.

(j) Pension Plans and Other Post Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group. Experience gains and losses are calculated using a market related value of assets. Plan assets are carried at market values and are held in separate trusteed pension funds.

The Company also provides post retirement health and life insurance benefits to eligible employees, agents and their dependents. The cost of all post retirement benefits other than pensions is actuarially determined and accrued using the projected benefit method pro-rated on service and is recognized over the periods of employee service. The current cost of post retirement health and life insurance benefits is charged to earnings.

(k) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted daily average number of common shares outstanding of 1,222,936 (1,200,772 in 2001).

(l) Comparative Figures

Certain of the 2001 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

($ amounts in millions of dollars unless otherwise noted)

2. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

	2002		2001	
	Balance Sheet Value	**Market Value**	Balance Sheet Value	Market Value
Bonds				
– government	$ 7,721	$ 8,128	$ 6,124	$ 6,308
– corporate	9,393	9,826	10,144	10,334
	17,114	17,954	16,268	16,642
Mortgage loans				
– residential single family	2,100	2,131	2,542	2,598
– residential apartments	2,670	2,861	2,352	2,472
– retail and shopping centres	965	1,073	974	1,066
– office buildings	755	842	780	849
– industrial	591	638	644	682
– other	109	123	100	133
	7,190	7,668	7,392	7,800
Stocks				
– public	1,284	1,293	1,002	1,047
– private	130	130	250	246
	1,414	1,423	1,252	1,293
Real estate	1,080	1,269	1,072	1,282
	$ 26,798	$ 28,314	$ 25,984	$ 27,017

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions, are as follows:

2002

	Carrying Value – Term to Maturity: 1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 705	$ –	$ –	$ 705	$ 710	1.3% – 3.0 %
Bonds	986	4,894	10,602	16,482	19,502	1.2% – 14.5%
Mortgage loans	49	3,978	3,168	7,195	7,199	3.7% – 14.0%
	$ 1,740	$ 8,872	$ 13,770	$ 24,382	$ 27,411	

2001

	Carrying Value – Term to Maturity: 1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short term bonds	$ 485	$ –	$ –	$ 485	$ 487	0.6%– 3.1%
Bonds	901	5,180	9,727	15,808	18,675	2.4%– 14.5%
Mortgage loans	1,372	2,876	3,165	7,413	7,428	3.7%– 14.0%
	$ 2,758	$ 8,056	$ 12,892	$ 23,706	$ 26,590	

($ amounts in millions of dollars unless otherwise noted)

2. Portfolio Investments *(cont'd)*

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2002	2001
Asset Class		
Bonds	$ 86	$ 39
Mortgage loans	7	10
	$ 93	$ 49

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2002	2001
Bonds and mortage loans	$ 78	$ 46

(iii) Changes in the allowance for credit losses are as follows:

	2002	2001
Balance, beginning of year	$ 46	$ 43
Provision for credit losses	42	4
Recoveries of prior write-offs	6	2
Write-offs	(16)	(4)
Other (including foreign exchange rate changes)	–	1
Balance, end of year	$ 78	$ 46

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects the Company's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance of $25 ($27 in 2001) which provides for deterioration of market values associated with real estate held for investment.

(e) Also included in portfolio investments are modified/restructured loans of $33 ($63 in 2001) that are performing in accordance with their current terms.

($ amounts in millions of dollars unless otherwise noted)

2. Portfolio Investments *(cont'd)*

(f) Net investment income of $2,148 ($2,258 in 2001) includes amortization of net deferred realized gains on portfolio investments and unrealized gains on stocks and real estate as follows:

	2002	2001
Bonds	$ 81	$ 78
Mortgage loans	14	17
Stocks	65	80
Real estate	19	19
	$ 179	$ 194

(g) The balance of net deferred gains on portfolio investments sold is comprised of the following:

	2002	2001
Bonds	$ 453	$ 464
Mortgage loans	30	38
Stocks	317	408
Real estate	14	8
	$ 814	$ 918

(h) Portfolio investments supporting reinsurance contracts:

Included in invested assets are $1,172 ($1,369 in 2001) of assets which are held in various trust and escrow accounts. The assets have been placed in these accounts pursuant to the requirements of U.S. insurance laws or based on terms of the underlying reinsurance treaty, to support liabilities assumed under certain reinsurance contracts.

3. Pledging of Assets

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	2002	2001
In respect of real estate	$ 122	$ 125
In respect of reinsurance agreements	49	61
	$ 171	$ 186

($ amounts in millions of dollars unless otherwise noted)

4. Goodwill and Intangible Assets

(a) Goodwill

Carrying value of goodwill and changes in carrying value of goodwill are as follows:

	2002		
	Shareholder	Participating Policyholder	Total
Balance, beginning of year	$ 1,514	$ –	$ 1,514
Reclassification between goodwill and intangible assets	(529)	–	(529)
Reclassification between goodwill and future taxes	86	–	86
Sale of subsidiary	(3)	–	(3)
Balance, end of year	$ 1,068	$ –	$ 1,068

	2001		
	Shareholder	Participating Policyholder	Total
Balance, beginning of year	$ 1,575	$ –	$ 1,575
Amortization of goodwill	(61)	–	(61)
Balance, end of year	$ 1,514	$ –	$ 1,514

(b) Intangible Assets

The Company has identified indefinite life intangible assets acquired as part of LIG in 1997, which are not subject to amortization. Carrying value of intangible assets and changes in the carrying value of intangible assets for the year ended December 31, 2002 are as follows:

	Shareholder	Participating Policyholder	Total
Balance, beginning of year	$ –	$ –	$ –
Reclassification from goodwill			
– Brands and trademarks	175	–	175
– Shareholder portion of acquired future participating account profits	354	–	354
Balance, end of year	$ 529	$ –	$ 529

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	Participating Policyholder		Non-Participating Policyholder		Total	
	2002	2001	**2002**	2001	**2002**	2001
Group Insurance	**$ –**	$ –	**$ 2,829**	$ 2,721	**$ 2,829**	$ 2,721
Individual Insurance & Investment	**10,979**	10,210	**6,132**	6,318	**17,111**	16,528
Reinsurance	**–**	–	**5,960**	5,707	**5,960**	5,707
Property & Casualty	**–**	–	**–**	30	**–**	30
Total	**$ 10,979**	$ 10,210	**$ 14,921**	$ 14,776	**$ 25,900**	$ 24,986

(ii) The composition of the assets supporting liabilities and surplus are as follows:

	2002					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 6,021	$ 3,062	$ 130	$ 2	$ 1,764	$ 10,979
Non-Participating						
Group Insurance	1,649	811	96	1	272	2,829
Individual Insurance & Investment	3,463	2,246	219	18	186	6,132
Reinsurance	1,427	–	74	–	4,459	5,960
Property & Casualty	–	–	–	–	–	–
Other liabilities	3,239	1,051	425	400	1,531	6,646
Participating policyholder surplus	342	9	382	363	150	1,246
Capital and surplus	973	11	88	296	894	2,262
Total Balance Sheet Value	$ 17,114	$ 7,190	$ 1,414	$ 1,080	$ 9,256	$ 36,054
Fair Value	$ 17,954	$ 7,668	$ 1,423	$ 1,269	$ 9,256	$ 37,570

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities *(cont'd)*

	2001					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 5,383	$ 2,824	$ 101	$ 2	$ 1,900	$ 10,210
Non-Participating						
Group Insurance	1,545	808	103	2	263	2,721
Individual Insurance & Investment	3,325	2,438	255	19	281	6,318
Reinsurance	1,532	–	73	–	4,102	5,707
Property & Casualty	30	–	–	–	–	30
Other liabilities	3,477	1,258	277	391	889	6,292
Participating policyholder surplus	341	10	248	357	290	1,246
Capital and surplus	635	54	195	301	962	2,147
Total Balance Sheet Value	$ 16,268	$ 7,392	$ 1,252	$ 1,072	$ 8,687	$ 34,671
Fair Value	$ 16,642	$ 7,800	$ 1,293	$ 1,282	$ 8,687	$ 35,704

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $26,345 ($25,472 in 2001). The fair value of these assets is $27,443 ($26,114 in 2001).

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method.

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Participating Policyholder		Non-Participating Policyholder		Total	
	2002	2001	**2002**	2001	**2002**	2001
Balance, beginning of year	**$ 10,210**	$ 9,575	**$ 14,776**	$ 14,211	**$ 24,986**	$ 23,786
Normal change						
– new business	**11**	2	**993**	884	**1,004**	886
– in force	**758**	709	**(783)**	(490)	**(25)**	219
Material assumption changes	**–**	(76)	**(34)**	–	**(34)**	(76)
Foreign exchange rate changes	**–**	–	**(2)**	171	**(2)**	171
Sale of subsidiary	**–**	–	**(29)**	–	**(29)**	–
Balance, end of year	**$ 10,979**	$ 10,210	**$ 14,921**	$ 14,776	**$ 25,900**	$ 24,986

In 2002, excess interest rate provisions were released for non-participating policyholders and improved mortality rates were experienced by non-participating policyholders.
In 2001 assumption changes were made in the provision for future participating policyholder obligations.

5. Actuarial Liabilities *(cont'd)*

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update the Company's experience valuation mortality table for life insurance. Where there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no future improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment Returns

The assets which correspond to the liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine actuarial liabilities. Cash flows from assets are reduced to provide for projected asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Expenses

Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy Termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has reflected the emerging trend of lower lapsation on lapse supported benefits in its policy liabilities.

Policyholder Dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies. The Actuary has assumed that policyholder dividends will change in the future to reflect the experience of the participating account, consistent with the participating policyholder dividend policy.

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities *(cont'd)*

(e) Risk Management

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged .19% (.19% in 2001).

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2002	2001
Participating Policyholder	**$ 281**	$ 269
Non-Participating Policyholder	**125**	105
	$ 406	$ 374

(iii) Reinsurance risk

Maximum benefit amount limits (which vary by line of business) are established for life and health insurance and property and casualty insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	2002	2001
Participating Policyholder	**$ 10**	$ 9
Non-Participating Policyholder	**1,911**	1,866
	$ 1,921	$ 1,875

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 55% of policyholder liabilities are non-cashable prior to maturity or subject to market value adjustments.

($ amounts in millions of dollars unless otherwise noted)

5. Actuarial Liabilities *(cont'd)*

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. The effect of an immediate 1% increase in interest rates would be to decrease the present value of these projected cash flows by $5 ($8 in 2001). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by $3 ($2 in 2001). The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

6. Commercial Paper and Other Loans

(a) Commercial paper and other loans consist of the following:

	2002		2001	
	Balance Sheet Value	**Fair Value**	Balance Sheet Value	Fair Value
Short Term				
Revolving credit in respect of reinsurance business with interest rates from 1.8% to 3.4% (2.2% to 3.9% in 2001) maturing within one year	$ 46	$ 46	$ 61	$ 61
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% (6.4% to 11.7% in 2001) maturing at various dates to 2014	122	129	156	165
Other notes payable with interest of 8.0% (8.0% to 9.0% in 2001)	15	15	25	25
Sub total	137	144	181	190
Capital:				
6.75% Debentures due August 10, 2015, unsecured	200	218	200	210
6.74% Debentures due November 24, 2036, unsecured	200	210	200	196
Subordinated notes due September 30, 2010, non interest bearing	–	–	63	63
Sub total	400	428	463	469
Total long term	537	572	644	659
Total	$ 583	$ 618	$ 705	$ 720
Interest expense on long term loans	$ 39		$ 29	

(b) Principal Repayments of Long Term Loans

	Operating	Capital	Total
2003	$ 59	$ –	$ 59
2004	27	–	27
2005	17	–	17
2006	2	–	2
2007	2	–	2
2008 and thereafter	30	400	430
	$ 137	$ 400	$ 537

($ amounts in millions of dollars unless otherwise noted)

7. Non-Controlling Interests

The Company controlled a 100% equity interest in LIG at December 31, 2002 and 2001 and controlled a 100% equity interest in Great-West Life Capital Trust at December 31, 2002. The non-controlling interests of Great-West and its subsidiaries are:

(a) For the years ended December 31

	2002	2001
Preferred shareholder dividends	$ 21	$ 21
Minority shareholder interest	1	2
Distribution on Great-West Life Capital Trust Securities	1	–
Total	$ 23	$ 23

(b) As at December 31

	2002	2001
Preferred shareholders	$ 200	$ 450
Minority interests in capital stock and surplus	2	10
Trust units issued by Great-West Life Capital Trust		
350,000 Trust Securities - Series A	350	–
	$ 552	$ 460

Preferred shareholders
On December 31, 2002, the LIG Class 1 Series D 7.25% Non-Cumulative Preferred Shares and Class 1 Series E 7.20% Non-Cumulative Preferred Shares were redeemed by LIG at a price of $25 per share.

Great-West Life Capital Trust Securities (GREATs)
On December 20, 2002, Great-West Life Capital Trust (the Trust), a trust controlled by the Company, issued $350 of non-voting GREATs which constitutes Tier 1 capital for Canadian regulatory purposes. Each holder of the GREATs will be entitled to receive a semi-annual non-cumulative fixed cash distribution of $29.975 per GREATs, representing an annual yield of 5.995%, payable out of the Trust's net distributable funds. Subject to regulatory approval, the Trust may redeem the GREATs, in whole or in part, at any time on or after December 31, 2007 and, under limited circumstances may redeem all, but not less than all of the GREATs prior to December 31, 2007. Related issue costs of $5 ($3 after-tax) were recognized as a charge to surplus in 2002.

8. Participating Policyholder

The Company controls a 100% equity interest in London Life. The participating operations and the participating balance sheets are presented as combined or consolidated in the Company's financial statements. The following tables provide additional information related to the operations and financial position of each entity.

(a) For the year ended December 31

	2002	2001
Participating policyholder		
Net income attributable to participating policyholder before policy dividends		
Great-West	$ 89	$ 91
London Life	519	511
Policyholder dividends		
Great-West	91	87
London Life	517	497
Net income	$ –	$ 18

($ amounts in millions of dollars unless otherwise noted)

8. Participating Policyholder *(cont'd)*

(b) As at December 31

	2002	2001
Participating policyholder		
(i) undistributed surplus		
– Great-West	$ 330	$ 332
– London Life	913	911
	1,243	1,243
(ii) provision for unrealized gain on translation of net investment in foreign operation		
– Great-West	–	–
– London Life	3	3
	3	3
	$ 1,246	$ 1,246

9. Capital Stock

Authorized
Unlimited Preferred Shares
Unlimited Common Shares

	2002		2001	
	Number	Stated Value (thousands)	Number	Stated Value (thousands)
Issued and outstanding:				
Preferred Shares:				
Series L, 5.20% Non-Cumulative Preferred Shares	2,093,032	$ 52,326	2,093,032	$ 52,326
Series N, 5.00% Non-Cumulative Preferred Shares	–	–	2,911,955	72,799
Series O, 5.55% Non-Cumulative Preferred Shares	6,278,671	156,966	6,278,671	156,966
Series Q, 5.00% Non-Cumulative Preferred Shares	40,000	1,000	–	–
Balance, end of year	8,411,703	$ 210,292	11,283,658	$ 282,091
Common Shares:				
Balance, beginning of year	1,221,257	$ 719,746	1,199,894	$ 638,038
Issued during year	15,318	72,799	21,363	81,708
Balance, end of year	1,236,575	$ 792,545	1,221,257	$ 719,746
Total Capital Stock		$1,002,837		$1,001,837

The Series L, 5.20% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible to Series M Preferred Shares at the option of the holder, in each case on October 31, 2007 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

The Series O, 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

($ amounts in millions of dollars unless otherwise noted)

9. Capital Stock *(cont'd)*

(a) During 2002:

(i) The Series N, 5.00% Non-Cumulative Preferred Shares were exchanged for 15,318 Common Shares of the Company with a stated value of $73 on November 22, 2002.

(ii) The Company issued 40,000 Series Q, 5.00% Non-Cumulative Preferred Shares to its parent, Great-West Lifeco Inc. (Lifeco), for $25 per share. The shares are redeemable at the option of the Company on the later of December 31, 2007 and the date on which there are no GREATs (note 7) outstanding, subject to the requisite statutory approval.

(b) During 2001:

(i) As a result of a joint offer dated December 14, 2000 by 3812774 Canada Inc. and the Company, 6,278,671 Great-West Series O Preferred Shares were issued in exchange for 6,278,671 Series L Preferred Shares. As part of this offer, 3812774 Canada Inc. acquired 658,311 Great-West Series L Preferred Shares.

(ii) The Company purchased 100% of 3812774 Canada Inc. from its parent, Lifeco by issuing 21,363 common shares at a stated value of $82. The Company concurrently wound up 3812774 Canada Inc., which resulted in the cancellation of 9,623,809 Series L preferred shares of the Company at a stated value of $240. The discount of $2.00 per share or $19 was recorded as an increase in surplus.

10. Pension Plans and Other Post Retirement Benefits

(a) Defined Benefit Pension Plans

(i) The status of the Company's defined benefit pension plans is as follows:

	2002	2001
Assets at fair value	$ 1,044	$ 1,176
Accrued pension obligation	1,015	1,039
Excess of assets over obligations	29	137
Unamortized net experience (gains) losses and assumption changes	71	(58)
Unamortized net asset at transition	–	(4)
Excess funding contribution balance (reflected in Other Assets)	$ 100	$ 75
Significant Weighted-Average Actuarial Assumptions:		
Discount rate	6.75%	6.75%
Expected return on assets	7.75%	7.75%
Assumed compensation increase	5.25%	5.25%

(ii) The change in the fair value of plan assets is as follows:

	2002	2001
Fair value of assets, beginning of year	$ 1,176	$ 1,245
Employee contributions	5	5
Employer contributions	15	2
Return on plan assets	(34)	13
Benefits paid	(118)	(89)
Fair value of assets, end of year	$ 1,044	$ 1,176

($ amounts in millions of dollars unless otherwise noted)

10. Pension Plans and Other Post Retirement Benefits *(cont'd)*

(iii) The change in the accrued benefit obligation is as follows:

	2002	2001
Accumulated pension obligation, beginning of year	$ 1,039	$ 1,026
Current service cost	25	25
Interest on accrued pension obligation	67	69
Actuarial (gains) losses	2	8
Benefits paid	(118)	(89)
Accumulated pension obligation, end of year	$ 1,015	$ 1,039

(iv) Pension expense is determined as follows:

	2002	2001
Current service cost	$ 25	$ 25
Employee contributions	(5)	(5)
Employer current service cost	20	20
Interest on accrued pension obligation	67	69
Amortization of net experience gains and assumption changes	(8)	(15)
Amortization of net asset at transition	(4)	(4)
Expected return on plan assets	(87)	(96)
	$ (12)	$ (26)

(b) Other Pension Plans

(i) The Company also maintains defined contribution pension plans for certain employees and agents the costs of which are as follows:

	2002	2001
Contributions expensed	$ 2	$ 2

(ii) In addition the Company maintains supplemental executive retirement plans for certain key executives which provide certain benefits upon retirement, disability or death based on total compensation.

	2002	2001
In year expense	$ 3	$ 1
End of year total liability	$ 28	$ 18

(c) Other Post Retirement Benefits

(i) The status of the Company's other post retirement benefits plans is as follows:

	2002	2001
Accrued other post retirement benefits obligation	$ 221	$ 191
Unamortized experience gain (loss)	(23)	(5)
Accrued benefit obligation (reflected in Other Liabilities)	$ 198	$ 186

($ amounts in millions of dollars unless otherwise noted)

10. Pension Plans and Other Post Retirement Benefits *(cont'd)*

Significant Weighted-Average Actuarial Assumptions:

The discount rate used to determine the accrued benefit obligation was 6.75% for both December 31, 2002 and December 31, 2001. In determining the expected cost of health care benefit plans, health care costs were assumed to increase by 8.4% in 2002 and gradually decrease to a level of 4.8% by 2008.

(ii) The change in the other post retirement benefits obligation is as follows:

	2002	2001
Accumulated other post retirement benefits obligation, beginning of year	$ 191	$ 167
Current service cost	7	5
Interest on accrued other post retirement benefit obligation	13	12
Actuarial (gains) losses	17	14
Benefits paid	(7)	(7)
Accumulated other post retirement benefits obligation, end of year	$ 221	$ 191

(iii) Other post retirement benefits expense is determined as follows:

	2002	2001
Current service cost	$ 7	$ 5
Interest on accrued other post retirement benefit obligation	13	12
	$ 20	$ 17

The effect of a 1% increase in assumed healthcare cost trend rates would be an increase in the accrued post retirement benefit obligation of $35 as at December 31, 2002 and an increase in the 2002 post retirement benefit expense of $5. A decrease of 1% in assumed healthcare cost trend rates would result in respective decreases of approximately the same amount.

11. Related Party Transactions

In the normal course of business, the Company provided insurance benefits to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, the Company provided and received from Investors Group, a member of the Power Financial Corporation group of companies, certain administrative services. The Company also provided life insurance and disability insurance products under a distribution agreement with Investors Group. London Life provided distribution services to MacKenzie Financial Corporation, a member of the Power Financial Corporation group of companies. All services were provided on terms and conditions at least as favourable as market terms and conditions.

During 2002, the Company purchased residential mortgages of $200 from Investors Group ($278 in 2001). The Company sold residential mortgages of $42 ($26 in 2001) to segregated funds maintained by the Company and $143 ($98 in 2001) to segregated funds maintained by London Life. All transactions were at market terms and conditions.

During 2002 the Company repaid interest-free subordinated loans totalling $63 from its parent company, Lifeco.

The Company has 6.75% Debentures due to Lifeco which have an outstanding balance of $200 ($200 in 2001) (note 6). Interest expense of $14 on this debt is included in the financial statements ($14 in 2001).

On November 24, 2001, the Company issued $200 principal amount of 6.74% Debentures to Lifeco (note 6). Interest expense of $14 on this debt is included in the 2002 financial statements ($1 in 2001).

The Company has interest bearing notes receivable from GWL&A which have an outstanding balance of $53 ($67 in 2001). $13 due on demand bears interest at the public bond rate (4.2% and 6% at December 31, 2002 and 2001 respectively). $40 matures on October 1, 2006 and bears interest at 5.4%.

On April 19, 2001 the Company completed its previously announced investment of $230 to acquire 9,200,000 Investors Group treasury common shares.

($ amounts in millions of dollars unless otherwise noted)

12. Income Taxes

(a) Future income taxes consist of the following taxable temporary differences on:

	2002	2001
Policy liabilities	$ 83	$ 77
Portfolio investments	(27)	(48)
Other	76	16
	$ 132	$ 45

(b) The Company's effective income tax rate is derived as follows:

	2002	2001
Combined basic Canadian federal and provincial tax rate	39.0 %	42.2 %
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(11.3)	(8.3)
Lower effective tax rates on income not subject to tax in Canada	0.1	0.6
Investment income tax	3.7	4.6
Large corporations tax	0.2	0.2
Impact of rate changes on future income taxes	0.6	(1.7)
Miscellaneous	3.2	4.9
Effective income tax rate applicable to current year	35.5	42.5
Increase (decrease) in the income tax rate resulting from prior years' tax adjustments	(7.2)	3.1
Effective income tax rate	28.3 %	45.6 %

2002 results include a $50 net reduction of provisions for income taxes due to favourable tax experience arising from the completion of tax audits. The impact of this reduction in provisions was an increase in after tax income of $41 in the shareholder account and $9 in the participating policyholder account.

($ amounts in millions of dollars unless otherwise noted)

13. Off Balance Sheet Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

2002	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 160	$ 8	$ 1	$ 9	$ 1
Foreign Exchange Contracts					
Forward contracts	64	1	1	2	–
Cross-currency swaps	820	3	47	50	8
	884	4	48	52	8
Other Derivative Contracts					
Equity contracts	266	61	18	30	11
	$ 1,310	$ 73	$ 67	$ 91	$ 20

** Credit risk equivalent for equity contracts includes a reduction for collateral of $49.*

2001	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 234	$ 8	$ 2	$ 10	$ 2
Foreign Exchange Contracts					
Forward contracts	62	–	1	1	–
Cross-currency swaps	770	12	48	60	12
	832	12	49	61	12
Other Derivative Contracts					
Equity contracts	286	67	19	36	12
	$ 1,352	$ 87	$ 70	$ 107	$ 26

** Credit risk equivalent for equity contracts includes a reduction for collateral of $50.*

($ amounts in millions of dollars unless otherwise noted)

13. Off Balance Sheet Financial Instruments *(cont'd)*

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio:

	2002							
	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 7	$ 121	$ 32	$ 5	$ –	$ –	$ –	$ –
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	64	–	–	1
Cross-currency swaps	62	413	345	(121)	–	–	–	–
	62	413	345	(121)	64	–	–	1
Other Derivative Contracts								
Equity contracts	47	93	–	55	126	–	–	1
	$ 116	$ 627	$ 377	$ (61)	$ 190	$ –	$ –	$ 2

	2001							
	Contracts Held for Asset/Liability Management				Contracts Held for Other purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 23	$ 128	$ 83	$ 6	$ –	$ –	$ –	$ –
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	62	–	–	(1)
Cross-currency swaps	42	293	435	(79)	–	–	–	–
	42	293	435	(79)	62	–	–	(1)
Other Derivative Contracts								
Equity contracts	49	93	–	62	144	–	–	3
	$ 114	$ 514	$ 518	$ (11)	$ 206	$ –	$ –	$ 2

(c) Interest Rate Contracts

Interest rate swaps are used to hedge interest rate risk related to asset and liability management. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps.

Foreign Exchange Contracts

Cross-currency swaps are used to hedge foreign currency risk related to asset and liability management. Under these swaps principal amounts and fixed and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Company also enters into certain foreign exchange forward contracts to hedge the translation of its foreign operations into Canadian dollars. The realized gains and losses on these contracts are recognized in net investment income as the contracts are settled.

Other Derivative Contracts

Equity index swaps are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in net investment income.

($ amounts in millions of dollars unless otherwise noted)

14. Contingent Liabilities

The Company and its subsidiaries are subject to legal actions, including proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

At December 31, 2002 there are three actions commenced under class proceedings legislation against Great-West (one in each of British Columbia, Ontario and Quebec) and six against London Life (four in Ontario, and one in each of British Columbia and Quebec), related to the availability of policyholder dividends to pay future premiums. In June 2001, London Life announced an agreement to settle five of these actions. The agreement received final court approval in 2002. As at the date of the settlement, estimated future settlement benefits of $180 and expenses related to the administration of the settlement in the amount of $20 were fully provided for in existing reserves in London Life's participating account. Actual results could differ from those estimates. There is also a proposed class proceeding in Ontario against the Company, LIG and London Life regarding the participation of the London Life participating policyholder account in the financing of the acquisition of LIG in 1997 by Great-West. These proceedings are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that any of these proceedings will have a material adverse effect on the consolidated financial position of the Company.

15. The Events of September 11, 2001

2001 results include a charge of $73 after-tax in the shareholder account and $9 in the participating policyholder account related to claims provisions from the events of September 11, 2001, related to the reinsurance business.

16. Commitments

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on London Reinsurance Group's (LRG), a subsidiary of London Life, behalf from approved banks in order to further secure LRG's obligations under certain reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. $1,425 in letters of credit capacity. The facility has three tranches. One tranche, arranged in 2002 in the amount of U.S. $655, is for a one year term to November 20, 2003. The second tranche, also arranged in 2002 in the amount of U.S. $370, has a three year term expiring November 15, 2005. The third tranche of U.S. $400 expires on October 27, 2003. Under the terms and conditions of the facility, collateralization may be required dependant on the future credit ratings of specific LRG subsidiaries and London Life or if a default under the letters of credit agreement occurs. LRG has issued U.S. $1,079 in letters of credit under the facility as at December 31, 2002. LRG had issued U.S. $1,105 under a previous letter of credit facility at December 31, 2001. In addition, LRG has other bilateral letter of credit facilities totalling U.S. $40 (2001 – U.S. $40). Bonds and debentures in the amount of Cdn $11 (2001 – Cdn $15) have been pledged to support these letters of credit.

17. Segmented Information

The major reportable segments are the participating and shareholder operations of the Company. The Company operates through Great-West Life and its wholly owned subsidiary LIG. The major business units within the segments are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
Reinsurance & Specialty General Insurance	– life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets.
Corporate	– business activities and operations that are not associated with the major business units of Canadian operations.

($ amounts in millions of dollars unless otherwise noted)

17. Segmented Information *(cont'd)*

(a) Consolidated Operations

Year Ended December 31, 2002

	Total Company						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Company
Income:							
Premium income	$ 2,220	$ 662	$ 3,922	$ 17	$ 6,821	$ 1,377	$ 8,198
Net investment income	205	463	474	97	1,239	909	2,148
Fee and other income	68	332	2	18	420	–	420
Total income	2,493	1,457	4,398	132	8,480	2,286	10,766
Benefits and Expenses:							
Paid or credited to policyholders	1,868	741	4,338	37	6,984	1,994	8,978
Other	426	365	28	19	838	256	1,094
Net operating income before income taxes	199	351	32	76	658	36	694
Income taxes	74	139	2	(55)	160	36	196
Net income before non-controlling interests	125	212	30	131	498	–	498
Non-controlling interests	–	–	1	22	23	–	23
Net income before goodwill amortization	125	212	29	109	475	–	475
Amortization of goodwill	–	–	–	–	–	–	–
Net income	$ 125	$ 212	$ 29	$ 109	$ 475	$ –	$ 475

Summary of Net Income

	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Participating Policyholder Individual Insurance & Investment Products	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 608	$ 608
Policyholder dividends	–	–	–	–	–	608	608
Net income – participating policyholder	–	–	–	–	–	–	–
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	14	14	–	14
Net income – common shareholder	125	212	29	95	461	–	461
	125	212	29	109	475	–	475
Net income	$ 125	$ 212	$ 29	$ 109	$ 475	$ –	$ 475

($ amounts in millions of dollars unless otherwise noted)

17. Segmented Information *(cont'd)*

Year Ended December 31, 2001

	Total Company						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Company
Income:							
Premium income	$ 2,026	$ 628	$ 3,455	$ 16	$ 6,125	$ 1,326	$ 7,451
Net investment income	215	513	473	131	1,332	926	2,258
Fee and other income	61	311	2	17	391	–	391
Total income	2,302	1,452	3,930	164	7,848	2,252	10,100
Benefits and Expenses:							
Paid or credited to policyholders	1,739	799	3,894	33	6,465	1,843	8,308
Other	391	374	78	17	860	275	1,135
Net operating income before income taxes	172	279	(42)	114	523	134	657
Income taxes	67	104	(12)	(3)	156	116	272
Net income before non-controlling interests	105	175	(30)	117	367	18	385
Non-controlling interests	–	–	2	21	23	–	23
Net income before goodwill amortization	105	175	(32)	96	344	18	362
Amortization of goodwill	23	28	8	2	61	–	61
Net income	$ 82	$ 147	$ (40)	$ 94	$ 283	$ 18	$ 301

Summary of Net Income

	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Participating Policyholder Individual Insurance & Investment Products	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 602	$ 602
Policyholder dividends	–	–	–	–	–	584	584
Net income – participating policyholder	–	–	–	–	–	18	18
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	25	25	–	25
Net income – common shareholder	82	147	(40)	69	258	–	258
	82	147	(40)	94	283	–	283
Net income	$ 82	$ 147	$ (40)	$ 94	$ 283	$ 18	$ 301

($ amounts in millions of dollars unless otherwise noted)

17. Segmented Information *(cont'd)*

(b) Consolidated Balance Sheet:

	December 31, 2002			December 31, 2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Assets						
Invested assets	$ 14,851	$ 13,974	$ 28,825	$ 14,513	$ 13,257	$ 27,770
Goodwill and intagible assets	1,597	–	1,597	1,514	–	1,514
Other assets	5,217	415	5,632	4,870	517	5,387
Total assets	$ 21,665	$ 14,389	$ 36,054	$ 20,897	$ 13,774	$ 34,671
Segregated funds assets			18,504			19,093
Total assets under administration			$ 54,558			$ 53,764
Liabilities, Policyholder & Shareholder Equity						
Policy liabilities	$ 16,283	$ 12,606	$ 28,889	$ 16,085	$ 11,835	$ 27,920
Net deferred gains on portfolio investments sold	427	387	814	473	445	918
Other liabilities	2,141	150	2,291	1,732	248	1,980
Non-controlling interests	552	–	552	460	–	460
Capital stock & surplus	2,262	1,246	3,508	2,147	1,246	3,393
Total liabilities, policyholder & shareholder equity	$ 21,665	$ 14,389	$ 36,054	$ 20,897	$ 13,774	$ 34,671

18. Dispositions

London Guarantee Insurance Company

On March 21, 2002, London Life completed its previously announced sale of its 82.9% indirect interest in London Guarantee Insurance Company which resulted in an after-tax gain of $31.

Appointed Actuary's Report

To the Policyholders, Shareholders and Directors of The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2002 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the result of the valuation.

Allan S. Edwards

Allan S. Edwards
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba
January 29, 2003

Auditors' Report

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

We have audited the consolidated balance sheets of The Great-West Life Assurance Company and the statements of segregated funds consolidated assets as at December 31, 2002 and 2001 and the summaries of consolidated operations, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated statements of changes in assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2002 and 2001 and the results of its operations and its cash flows and the changes in net assets of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
January 29, 2003

Summary of Participating Policyholder Dividend Policy

Each holder of a Great-West Life participating policy benefits from the surplus of the participating account at the date of issue, and throughout the life of the participating policy. This surplus was generated entirely from the net financial results of policies issued on a participating basis, both past and present.

The amount of surplus to be distributed at any time will depend upon the consideration of a number of factors, including the past and anticipated future net income of the participating account, the growth of the participating account and the need to retain surplus to provide capital to support the participating policies, the need to maintain consistency in distribution from one time period to another, and the overall solvency of the Company.

Great-West uses the contribution method of dividend determination for classes of participating policies. Premiums are calculated with assumed levels of investment returns, mortality/morbidity costs and expense loadings. To the extent that emerging experience is better than the levels assumed in the premium calculation for a particular class of policies, a contribution to surplus will be made by that class of policies. Distributable surplus for each class of policies is based upon the application to each policy of dividend calculation factors which reflect the contribution to surplus by that class of policies.

A copy of the full text of the Participating Policyholder Dividend Policy as approved by the Board of Directors is available, on request.

Subsidiaries of The Great-West Life Assurance Company

December 31, 2002

Name	Principal Office Address	Carrying Value [1] (000)	Voting Share Ownership (%)
Gold Circle Insurance Company	Winnipeg, Manitoba	$ 1,122	100.0%
GWL Investment Management Ltd.	Winnipeg, Manitoba	2,459	100.0%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	–	100.0%
CGWLL Inc.	Winnipeg, Manitoba	3,518	100.0%
London Insurance Group Inc.	London, Ontario	2,996,091	100.0%

(1) *The carrying value of shares is shown at the Company's equity interest in the subsidiaries*

Five Year Summary

(in millions of dollars except per common share amounts)

	2002	2001	2000	1999	1998
At December 31					
Life insurance in force (face amount)	**$ 313,106**	$ 306,884	$ 294,408	$ 471,078	$ 477,234
Annuities in force (funds held)	**23,523**	24,318	24,331	47,255	43,936
Health insurance in force (annualized premiums)	**3,474**	3,142	2,817	9,238	9,309
Total assets under administration	**54,558**	53,764	51,990	87,197	83,101
For the Year					
Premiums:					
Life insurance, guaranteed annuities and insured health products	**$ 4,276**	$ 3,996	$ 7,098	$ 6,451	$ 6,547
Reinsurance and specialty general insurance	**3,922**	3,455	2,878	2,075	2,690
Self-funded premium equivalents (ASO contracts)	**1,355**	1,238	8,797	5,464	4,849
Segregated funds deposits:					
Individual products	**1,649**	1,586	2,776	1,962	2,010
Group products	**1,163**	1,045	5,325	3,988	3,687
Total premiums and deposits	**$ 12,365**	$ 11,320	$ 26,874	$ 19,940	$ 19,783
Condensed Summary of Operations					
Income					
Premium income	**$ 8,198**	$ 7,451	$ 9,976	$ 8,526	$ 9,237
Net investment income	**2,148**	2,258	3,650	3,578	3,515
Fee and other income	**420**	391	1,641	1,222	1,003
Total income	**10,766**	10,100	15,267	13,326	13,755
Benefits and Expenses					
Paid or credited to policyholders	**8,978**	8,308	11,374	9,936	10,680
Commissions	**427**	400	694	601	538
Operating expenses	**607**	668	1,814	1,546	1,441
Premium taxes	**60**	67	129	123	93
Net operating income before income taxes	**694**	657	1,256	1,120	1,003
Income taxes – current	**197**	211	540	378	216
– future	**(1)**	61	(90)	(12)	145
Net income before non-controlling interests	**498**	385	806	754	642
Non-controlling interests	**23**	23	24	22	16
Net income before amortization of goodwill	**475**	362	782	732	626
Amortization of goodwill	**–**	61	64	61	61
Net income	**$ 475**	$ 301	$ 718	$ 671	$ 565

Summary of Net Income

	2002	2001	2000	1999	1998
Attributable to participating policyholder					
Net income before policyholder dividends	**$ 608**	$ 602	$ 744	$ 747	$ 741
Policyholder dividends	**608**	584	717	664	675
Net income – participating policyholder	**$ –**	$ 18	$ 27	$ 83	$ 66
Attributable to shareholder					
Preferred shareholder dividends	**$ 14**	$ 25	$ 37	$ 39	$ 50
Net income – common shareholder	**461**	258	654	549	449
	475	283	691	588	499
Net income	**$ 475**	$ 301	$ 718	$ 671	$ 565
Earnings per common share	**$ 376.97**	$ 214.90	$ 274.95	$ 231.28	$ 189.38
Return on common shareholder equity	**24.0%**	14.9%	19.1%	17.4%	15.8%
Book value per common share	**$ 1,659.00**	$ 1,527.00	$ 1,417.00	$ 1,369.00	$ 1,280.00
Dividends to common shareholders – per share regular	**$ 248.14**	$ 168.40	$ 140.00	$ 92.00	$ 77.60
– per share special	**$ 30.71**	$ –	$ 31.53	$ –	$ –

The Great-West Life Assurance Company is controlled by Great-West Lifeco Inc., a holding company which owns all of the voting interest in Great-West Life. Lifeco is controlled by Power Financial Corporation.

Great-West Life believes that active boards and board committees are the cornerstone of sound corporate governance, and offers the following comments with respect to its governance practices.

Board and Board Committees

The Board of Great-West Life is comprised of 22 Directors, and there are five active Committees of the Board. A total of 34 Great-West Life Board and Board Committee meetings are scheduled for 2003. The mandate of the Board is to supervise the management of the business and affairs of Great-West Life. The business of Great-West Life is carried on by two separate organizations, based respectively in Winnipeg, Manitoba, and London, Ontario.

The management of Great-West Life is supervised by different committees of its Boards of Directors.

The mandates of the various Committees are as follows:

- With regard to the Canadian operations, the *Canadian Executive Committee* exercises between meetings of the Board all the powers of the Board except those powers which by law cannot be delegated to an executive committee. Its mandate is to supervise the management of the business and affairs of the Canadian operations and the Canadian Executive Committee appoints senior officers, reviews their performance and determines their compensation. Nine meetings of the Canadian Executive Committee are scheduled for 2003.
- The mandate of the *Canadian Investment and Credit Committee* is to review the investment of funds which support Great-West Life's business in Canada and to ensure that Great-West Life adheres to the investment and lending policies, standards and procedures established in Canada, pursuant to its governing statute, the *Insurance Companies Act (Canada)*. Nine meetings of the Canadian Investment and Credit Committee are scheduled for 2003.
- The primary mandate of the *Conduct Review Committee* is to ensure that management has established procedures for the review of transactions with "related parties" as that term is used in the *Insurance Companies Act (Canada)*, to review certain types of proposed related party transactions, and to approve such related party transactions as it deems appropriate. The Committee also monitors certain corporate policies and procedures, including procedures with respect to conflicts of interest and privacy. Four meetings of the Conduct Review Committee are scheduled for 2003.
- The primary mandate of the *Audit Committee* is to review the quarterly and annual financial statements, public disclosure documents containing financial information, and reports to be filed with regulatory authorities in connection with the financial condition of Great-West Life, to review and monitor the role of the external auditors, and to ensure that appropriate internal control procedures are in place. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. Four meetings of the Audit Committee are scheduled for 2003.
- The mandate of the *Corporate Management Committee* is to review the management of matters relating to corporate organization, capital structure and overall adequacy of capital. Four meetings of the Corporate Management Committee are scheduled for 2003.

Board and Board Committee Composition

The compositions of the Board of Great-West Life and of the Committees of the Board satisfy the requirements of the *Insurance Companies Act (Canada)*, including those relating to the number of directors who are "affiliated" and "unaffiliated", the number who are "shareholder" and "policyholder" directors (as all of those terms are used in the Insurance Companies Act and Regulations), and the number who are employees and Canadian residents.

A majority of the 22 Directors on the Board of Great-West Life are "unrelated" to Great-West Life. In addition, a number of Directors are free from any interests in, or relationships with, either Great-West Life or its controlling shareholder.

A majority of the Directors on all Committees of the Board are unrelated to Great-West Life, and the Audit and Conduct Review Committees are comprised entirely of non-management Directors. The Chairman of the Board and the Chairmen of the Board Committees are all non-management Directors.

Board Operation

The Chairman's responsibility towards the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, the assessment of the effectiveness of the Board as a whole, of the Committees of the Board, and of the contributions of individual Directors. The Chairman also makes recommendations, after consultation, concerning Directors' compensation and any changes that would improve the workings of the Board, including increases or decreases in its size, and concerning the development of Great-West Life's approach to governance issues.

Committees may, at the expense of Great-West Life, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

New members of the Board are provided with an orientation concerning Great-West Life and its business activities.

Management is expected to develop strategic plans for Great-West Life's operations. The Executive Committee is involved on an ongoing basis in reviewing and approving the strategic plans, as well as the annual business plan incorporating business objectives and key results for which management is responsible every year. The strategic plans and annual business plan are submitted to the Board for ratification. Management is expected to implement the plans, achieve the objectives and results, and to report regularly to the Board and the Executive Committee on its progress.

Shareholder and Policyholder Matters

In addition to the public disclosure documents which Great-West Life is required to produce by various regulatory authorities, Great-West Life communicates with shareholders and policyholders through quarterly reports, the annual report and press releases when appropriate.

Board Of Directors

As of December 31, 2002

Robert Gratton [3, 4, 5, 6, 7]
Chairman of the Board of the Company,
President and Chief Executive Officer,
Power Financial Corporation

Gail S. Asper [1]
Corporate Secretary
CanWest Global Communications Corporation

James W. Burns, O.C. [3, 4, 5, 6, 7]
Director Emeritus,
Power Corporation of Canada

Orest T. Dackow [3, 4, 5, 6, 7]
Corporate Director

André Desmarais [3, 4, 5, 6, 7]
President and Co-Chief Executive Officer,
Power Corporation of Canada
Deputy Chairman, Power Financial Corporation

The Honourable
Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee,
Power Corporation of Canada

Paul Desmarais, Jr. [3, 4, 5, 6, 7]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Chairman, Power Financial Corporation

Charles H. Hollenberg, M.D., O.C. [2, 3, 7]
Senior Consultant,
Cancer Care Ontario

Daniel Johnson [2, 3, 7]
Of Counsel to McCarthy Tétrault LLP

Kevin P. Kavanagh, C.M. [3, 4, 7]
Corporate Director
Chancellor Emeritus, Brandon University

J. Blair MacAulay [5, 7]
Of Counsel to Fraser Milner Casgrain LLP

The Right Honourable
Donald F. Mazankowski, P.C., O.C. [3, 5]
Corporate Director
Business Consultant

William T. McCallum [4, 6, 7]
President and Chief Executive Officer
Great-West Life & Annuity Insurance Company
Co-President & Chief Executive Officer,
Great-West Lifeco Inc.

Raymond L. McFeetors [3, 5, 7]
President and Chief Executive Officer
of the Company
President and Chief Executive Officer,
London Life Insurance Company
Co-President & Chief Executive Officer,
Great-West Lifeco Inc.

Randall L. Moffat [1]
Corporate Director

Jerry E.A. Nickerson [1, 7]
Chairman of the Board,
H.B. Nickerson & Sons Limited

R. Jeffrey Orr
President and Chief Executive Officer,
Investors Group Inc.

Gordon F. Osbaldeston, P.C., C.C. [2, 3]
Corporate Director

The Honourable
P. Michael Pitfield, P.C., Q.C. [4, 6, 7]
Vice-Chairman,
Power Corporation of Canada
Member of the Senate of Canada

Michel Plessis-Bélair, F.C.A. [1, 3, 4, 5, 6, 7]
Vice-Chairman and Chief Financial Officer,
Power Corporation of Canada
Executive Vice-President and Chief Financial Officer,
Power Financial Corporation

Guy St-Germain, C.M. [1, 3, 5]
President,
Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
Vice-President,
Power Corporation of Canada

1 *Audit Committee*
2 *Conduct Review Committee*
3 *Canadian Executive Committee*
4 *United States Executive Committee*
5 *Canadian Investment and Credit Committee*
6 *United States Investment and Credit Committee*
7 *Corporate Management Committee*

Executive Officers

Raymond L. McFeetors
President and Chief Executive Officer

Denis J. Devos
Executive Vice-President,
Individual Insurance and Investment Products

Allan S. Edwards
Senior Vice-President and Actuary

James R. Grant
Executive Vice-President, Group

William W. Lovatt
Executive Vice-President,
Chief Financial Officer

Peter G. Munro
Executive Vice-President,
Chief Investment Officer

Ron D. Saull
Senior Vice-President and
Chief Information Officer

Sheila A. Wagar
Senior Vice-President,
General Counsel and Secretary

Administrative Services Only An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

Annuity A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. An annuity consideration is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

Cash value The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Critical illness insurance – Provides a one-time lump sum benefit to an insured who has been diagnosed with a critical condition. Normally, the insured must be diagnosed with a condition listed in the policy and live a certain period of time following the diagnosis, to collect benefits.

Derivative financial instruments Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

Swaps are contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross-currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.

Options convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.

Forwards and Futures are contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Notional Amount is the face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.

Maximum Credit Risk is the current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.

Future Credit Exposure represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.

Credit Risk Equivalent represents the total of maximum credit risk and future credit exposure, less collateral.

Risk Weighted Equivalent represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.

Total Estimated Fair Value is the net of contracts in a receivable position (maximum credit risk) and those in a payable position.

Disability insurance (DI) A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual DI policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

Experience refund The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

Group Insurance Operations A business unit of Great-West Life that markets life, health and disability insurance products for group clients.

Individual Insurance & Investment Products (IIIP) A business unit of Great-West Life, that markets life insurance and disability income insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

Life insurance in force (face amount) The amount stated as payable at the death of the insured or at the maturity of the policy.

Living Benefits A business unit of the Company that markets disability and critical illness insurance for individual clients.

Minimum Continuing Capital and Surplus Requirement (MCCSR) A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

Morbidity rate The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

Mortality rate The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

New annualized premium A measure of new sales, equal to the full first-year premium on all sales made during the year.

Non-participating life insurance Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

Participating life insurance (Par) Life insurance on which policyholders share in the surplus earnings attributable to the participating business. Dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

Persistency A measure of how long a policy or block of policies remains in force.

Policy liabilities Amounts set aside today which when combined with future premiums and investment income, will provide for future claims and expenses on in force policies.

Policyholder dividend A refund to the policyholder each year of a portion of the premium based on the company's experienced and anticipated costs. Policyholder dividends are not guaranteed but depend on mortality experience, investment earnings and other factors and may be increased or decreased at the discretion of the company.

Policyholder surplus The excess of assets over liabilities in the participating policyholder account.

Premium income The income from sales of insurance policies and retirement savings and income products.

Reinsurance contracts These contracts are legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

Segregated funds Investment funds managed separately from an insurance company's general funds, on behalf of clients. Unlike mutual funds, a percentage of the principal invested may be guaranteed in the event of the death of the investor.

Term life insurance Insurance which provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

Universal life insurance A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the policy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest. The policyholder can specify the premium amount, and change the death benefit after the policy has been issued, subject to restrictions established by the company.

Whole life insurance Insurance which protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g., payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

Policyholder and Shareholder Information

Head Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange Listings

Symbol: GWL.PR.L, GWL.PR.O

The Preferred Shares Series L and O are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

Computershare Trust Company of Canada
1190-201 Portage Avenue, Winnipeg, Manitoba R3B 3K6

Dividends

The Preferred Shares Series L, O - Dividend record dates are usually between the 14th and 17th of January, April, July, and October. Dividends are paid the last day of January, April, July, and October.

Investor Information

For financial information about Great-West Life, please contact the Chief Financial Officer at (204) 946-7341

For copies of the Annual or Quarterly Reports, contact the Secretary's Office at (204) 946-8366 or visit our Web site: **www.gwl.ca**

THE
Great-West Life
ASSURANCE COMPANY

A member of the Power Financial Corporation group of companies.

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